

The

Management Review

MARCH, 1952

**THE MONTH'S
BEST IN
BUSINESS
READING . . .**

Personnel

Production

Office Management

Marketing

Finance

Insurance

Packaging

General Management

Books of The Month

Among the Features

We All Want Inflation

The Clergy in Our Plant Communities

Part-Time Women Workers

Picking Foremen in a Hurry

What to Do About Office Accidents

"Remote Control" Dictation

Is There an Ideal Factory Chair?

Damage Control in Wartime

Poppa Becomes a Shopper

"I Can Get It for You Wholesale"

The Facts of LIFO

Estimating Future Labor Costs

Pension Payments: Dollars or Buying Power?

What's Wrong with Insurance?

AMERICAN MANAGEMENT ASSOCIATION

Organization of the Manufacturing Executive's Job

It's the theme of . . .

AMA's SPRING MANUFACTURING CONFERENCE

APRIL 7-8

• THE HOTEL STATLER •

NEW YORK

FURTHER increases in basic wage scales, the supplementary costs of labor, taxes, and other inflationary pressures, as well as new governmental controls and raw material shortages, pose new challenges for the manufacturing executive and his staff.

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- Incentive programs. Do they increase production—How? Why? When?

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AMERICAN MANAGEMENT ASSOCIATION
330 West 42nd Street New York 36, N. Y.

M. J. DOOHER, Editor; BLANCHE DOLMATECH, Digest Editor

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WE ALL WANT INFLATION

THE REASON we have not been able to check inflation in this country is that we do not want to check it. We do not, of course, admit this. On the contrary, we speak most piously and fervently of the need for maintaining a sound dollar. But this is only lip service. Actually almost everyone enjoys the illusion of prosperity which inflation always creates in its early stages.

The business executive, though he speaks darkly of the way things are going, cannot help feeling that he is actually in clover. He can sell everything he can produce, and at as high a price as the elastic controls of government will let him.

To be sure, he may have occasional flashes of clarity when questions rather frightening in their implications rise to haunt him—questions about his depreciation policy, for example. He has, of course, been setting money aside with which to replace his plant and equipment when this becomes necessary, but these reserves have been based upon what his plant and machine tools cost him, not upon their selling price today or in an uncertain future. Thus, when these capital assets do have to be replaced, there may not be enough money in his company's treasury to pay for the replacements.

Again, the executive may have qualms when he casts an eye over his list prices since the outbreak of war in Korea. As an executive, he will, of course, know that his company is extremely vulnerable to any decline in either its volume of sales

or the price of its product. Inflated costs have left his firm in a position where even a relatively mild industrial recession would present serious difficulties.

Usually, however, such momentary doubts can be banished. If profits continue high and money remains easy, he will be able to get his new plant and equipment somehow. Suppose he is vulnerable to a decline in volume or prices. Will not the cold or semi-hot war assure enough inflation to keep demand always a step ahead of supply, at least for the predictable future?

The worker today is equally bemused by the illusion of prosperity caused by the gyrations of the inflationary spiral. When he opens his pay envelope he finds more dollars in it than he did a year ago. This seems good. To be sure, the worker by now realizes that these added dollars represent an added production cost to industry which will inevitably be passed on to him as a consumer in the form of higher prices. And he is sufficiently educated economically to grasp the fact that in this event the extra dollars in his pay envelope will net him nothing. But this is a truth of economics, remote and theoretical when measured against the solid fact of dollars in hand.

To the farmer, of course, inflation comes as pure delight. In effect, it seems to make two dollars grow where only one grew before. Where formerly the farmer had to raise 500 bushels of wheat to pay the interest on his mortgage, he now has to raise only 300 bushels. Hence inflation acts to scale down his debt, and

at the same time to increase his cash income.

There are, admittedly, exceptions which only go to prove the rule that almost everybody today finds at least the illusion of personal gain in the cheapening of the dollar. There are many small businesses and special industries, such as publishing, which cannot pass higher costs on to the consumer, as most large corporations are doing. People living on annuities, the proceeds of life insurance, and the interest on savings are justifiably bitter as they face hardship where but a few years ago they had the prospect of ease. Schoolteachers, librarians, civil servants, college professors, and many in the white-collar, professional class are being cruelly pinched as rising living costs press upon lagging incomes. But these people are a minority. They are unorganized and their protests are not heard in the thunder of our powerful pressure groups.

It is not that these groups do not understand the danger. It is that they are individually unwilling to make the sacrifices necessary to meet it. Each is anxious that inflation be checked, provided that others do the checking. Each admits the need for some sacrifice—to be made, however, by someone else.

But behind the economic illusion of the moment, the dangers are gathering. Behind the selfishly inspired rhetoric, the facts remain. The full impact of our defense program has yet to be felt. Congress has appropriated huge sums for defense, but as yet the actual expenditure for the hardware of war has been relatively modest. In total, \$146,700,000,000 has been made available for our armament program. Of this sum, however, only \$35,500,000,000 has been actually spent, and only \$84,000,000,000 obligated under contract. By the middle of next year the issue will have been really joined.

At that time we shall have close to

4,000,000 men in uniform. These young men, who under normal circumstances would be producing goods, will be consuming, and this at a greater rate than they would in civilian life. By midyear the military will be siphoning off a total of \$4,000,000,000 in goods and services each month from the civilian economy, one-fifth of our gross national product.

Proportionately greater inroads will be made on scarce raw materials, in many of which we face a long-term world shortage. Today we are confronted with the frightening fact that whereas manufacturing has increased by six times since the turn of the century, raw material production has increased by only four times.

Until now we have been in the early stage of inflation, and on the whole we have found it pleasant. Money has been plentiful. No one has had to go without work. But the secondary stage of inflation is quite a different matter. Then it is that the added dollars in the pay envelopes evaporate before they are spent. Then it is that the profits evaporate, or become meaningless bookkeeping figures, as rising replacement costs dissipate depreciation reserves and industry is forced to operate in financial confusion. And then it is that the people, disillusioned at the loss of savings and cynical about economic process, turn to political means to satisfy their wants and assure their security. That, of course, is what happened in Germany after World War I and produced Hitler. And that is what is happening to a lesser degree in the rest of Europe today.

No one, of course, understands this tragic result of inflation better than do the Marxists. It was Lenin who said that the most effective way to destroy capitalism was by inflation of the currency, which is a process bringing ruin to the middle class.

We have had two big blasts of inflation

in the past 18 months: one brought on by the invasion of Korea, another by the intervention of the Chinese Communists. Today the third fiscal typhoon is forming. Slowly the pressures of the inflationary spiral are circulating just beneath the surface of our economy. Bank loans are rising steadily. The Federal budget is out of balance, showing a deficit of \$4,100,000,000 for a two-month period; the total deficit will probably run close to \$9,000,000,000 for the present fiscal year.

—JOHN HARRIMAN. *The Atlantic Monthly*, January, 1952, p. 38:3.

What Do Business Men Read?

WHAT do business men read besides their trade journals? A poll taken of a cross section of 15,000 executives of U. S. corporations by Research Institute of America, and reported in the *Saturday Review*, shows that 41 per cent of all read from 1-9 books yearly; 36 per cent read from 10-24 books; and 7 per cent read more than 50 books. The first 10 leading titles of books read by executives indicate the trend:

- | | |
|---------------------------------|---|
| 1. <i>Kon Tiki</i> | 6. <i>Washington Confidential</i> |
| 2. <i>The Forrestal Diaries</i> | 7. <i>Memoirs of Herbert Hoover</i> |
| 3. <i>The Caine Mutiny</i> | 8. <i>From Here to Eternity</i> |
| 4. <i>The Sea Around Us</i> | 9. <i>Life's Picture History of Western Man</i> |
| 5. <i>Closing the Ring</i> | 10. <i>A Soldier's Story</i> |

Membership in a book club was also reported by 58 per cent of those questioned.

—*Back Talk* (J. M. Kesslinger & Associates, Newark, N. J.) No. 57

The Strongest Loyalty

THE MOTIVATING EFFECT of loyalty was discovered by Army psychologists during the last war. They learned that in battle a man's motivations are stripped away, one by one, until a hard core, transcending patriotism, hatred of the enemy, or personal pride, is reached. This hard core, the Army says, is loyalty to a particular individual—an officer or a buddy—or to the men in the platoon. When nothing else is left, a soldier will still fight and face death rather than suffer the feeling that he let "the other guys" down.

The executive who really gets results shows a personal interest in the people working under him and makes them feel secure. Their loyalty to him makes them want to take responsibility rather than let him carry the whole load. He enables them to see the opportunities ahead, and as a result key men give completely of themselves in making reality out of possibilities.

—DONALD H. SUNDERLIN in *Supervision* 9/51

Candidate: A person who stands for what he thinks people will fall for.

—*Outdoor Ind.*

THE CLERGY IN OUR PLANT COMMUNITIES

WILLIAM EUGENE CARROLL*

THE CLERGY, having long been recognized as leading opinion-molders in the community, should be sought after as friends for the good of our companies and our employees, for the good of our plant communities, and if not too presumptuous on industry's part, even for the good of the clergy. Since the local clergyman is engaged in important work not too dissimilar, in part, from a company's own undertakings in employee or community relations, it is vital that he understand its views on matters of mutual interest.

Clergymen exercise tremendous influence on the thinking of large groups of people in the plant community, reaching them on friendly terms "in their own back yards." By the very nature of their training and work, and in most instances because of their personal make-up, they are eager to be friendly with management, to sympathize with its actions when its actions are right, and to help it in its cause and the explanation of it.

It is not necessary for the pulpits of plant community churches to resound solely with the talk of church missionary work when the occasion arises to cite pioneering in human relations; it is not necessary for church aid groups to turn only to government welfare agencies and labor unions for reference to those that are meeting their social obligations; it is not necessary for them to turn automatically to the colleges and universities for interesting speakers and borrowed facilities to make their church community programs more successful; it is not necessary for them to resort solely to public libraries for the research and materials that go into their Sabbath sermons; it is not necessary for them to depend on adult education

groups alone for refresher courses on many timely subjects; in short, it is not necessary for them *always* to look elsewhere for many of the things that industry can supply as a good friend and good neighbor, and it might be added, at little or no cost to itself.

In order that the clergy may assist industry in its efforts to improve employee relations and support community projects; in order that they may speak well of it in counsel to their people (who are our employees and their neighbors); and in order that they may have reason to praise rather than criticize industry, management should make available to them as many of the following services, and similar ones, as possible:

1. Invite all practicing clergymen in the plant community to be guests at the plant once or twice yearly.
2. Offer them luncheon in the best host-for-customer style.
3. Have the plant or works manager, or other important official, greet them at their luncheon session, and discuss, in a general way, current company aims and employee and public relations programs.
4. Take them on a plant tour, and have high "brass" welcome them in various buildings or departments of interest en route. Let them see what the inside of your shop looks like. Encourage them to ask questions of employees on the job.
5. Offer plant tour privileges for their church youth groups, men's or women's clubs, or other organizations in their congregation or parish, telling them exactly how to make arrangements for this.
6. Explain the purposes of your various publications, and permit those interested

* Employee Relations Department, Western Union Telegraph Company.

to have their names added to the mailing list.

7. It is particularly important to stress the wide variety of qualified speakers, films, visual aid and sound equipment, and library or museum services which your company can make available to them.

8. Also, make clear to them your willingness to lend them chairs, meeting space, athletic gear or space, office machines, safety equipment, and even truck or car transportation, if necessary. In fact, encourage their increasing use of whatever you may be able to offer them.

9. Permit a limited number of interested clergy to sit in on your supervisory training, human relations, economics courses, or other company sessions.

10. Give them names, business addresses, and business phone numbers of one or two top "brass" people in each department whom they might call on freely for cooperation in urgent personal problems involving any one of their church members employed at the plant. Assure them of the cooperation of your medical staff, safety engineers, testing, or personnel people in any such situation.

11. Explain in detail your research and development labs, employee benefit plans, training programs, or any other progressive feature characterizing your company in which they may be specifically interested. Include visits to your offices and distribution of booklets.

12. Each year, send them Christmas

greetings, wall or desk calendars, or other small reminders of your company, and have these come from the plant or works manager.

13. Invite members of the clergy to official functions whenever their services at invocations, benedictions, or simply as leaders in the community can be utilized.

In order to insure loyalty from every segment of the community, make certain that no active clergyman is overlooked. Be sure to note all places of worship in selecting your names. Avoid mistakes by taking the following steps: (1) Include all Protestant denominations. (2) Include both Roman and Greek Orthodox Catholic Churches, if both are in your plant's community. (3) Include Reform, Conservative, and Orthodox types of Jewish congregations, if all are in your town. (4) Include the local college or university chaplain, if any. (5) Include ministers of colored churches of various denominations. (6) Give Christian Scientists the choice of sending a church board member, a reader, or whomever they wish, since they have no ordained minister. (7) Include such oft-forgotten groups as Quakers, Unitarians, Latter-Day Saints, etc. (8) Include the local Army or Navy chaplain, if any.

A program such as the one outlined above can create more good will, understanding, and sympathy for your company than are probably being derived now from many more costly campaigns.

GOLDEN COIN

PERHAPS ALL OF US at one time or another have felt kinship with the woman who served her menfolk cattle fodder one day for dinner after waiting 20 years for a word of praise concerning her cooking.

When they declared she must be crazy, she replied with cool logic: "I've never heard aught to make me think you'd know the difference." The housewife's annoyance stemmed from a basic, everyday

truth. As Professor William James stated it: "The deepest principle of human nature is the craving to be appreciated."

Psychologists at Springfield College experimented with a group of children to study the effect that the strain of monotonous toil without encouragement has on human beings. The actual experiment was made by the drawing of a picture of a man. The only words spoken to the children as they painstakingly finished drawing after drawing were: "Draw another man. This time a better one." There was no scolding or faultfinding; but there was purposely no approval expressed of any efforts put forth.

The results as shown by the children were varied. Some were angry, and said so. One answered, "I won't." Another said, "You are too mean." Several closed their lips tightly and preserved a threatening silence.

In every case, it was clearly found that the strain of continued effort without a word of approval was severe. In addition to the psychological significance of the experiment, it was found that nothing was gained in practical results. Every child was observed to lose in the ability to draw and in the intelligence with which he or she began the work.

These truths affect all ages alike. Charles Schwab, the noted leader of men, has said: "I have yet to find the man, however great or exalted his station, who did not do better work and put forth greater effort under a spirit of approval than he would ever do under a spirit of criticism. . . . I consider my ability to

arouse enthusiasm among my men the greatest asset I possess, and the way to develop the best that is in a man is by appreciation and encouragement."

Praise is a dynamic, accelerating force. We are very much what others think of us. Those people who praise the things we do right and minimize our errors are the ones who make us want to improve; their encouragement helps to build our self-confidence, makes us feel that we can become equal to our problems and gives us the incentive to go on. Never, however, make the mistake of thinking that mechanical, insincere praise can serve as a substitute for the genuine thing. Flattery is a worthless counterfeit and fools only those people who wish to be fooled.

Make a promise to yourself to cultivate a sensitive awareness of the worth of other people, and the appreciative word of encouragement will fall easily from your lips. Soon you will say with Mr. Schwab that you consider your ability to arouse enthusiasm among your fellow men the greatest asset you possess. "Appreciation and encouragement are two faces of a golden coin which, put into circulation, often buys what money cannot; it is acceptable to the proudest and leaves the giver richer rather than poorer. With this coin we need no longer sigh for the means with which to be generous, for we are rich indeed. We are endowed with an inexhaustible wealth from which to give." Who among us would be so foolish as to be miserly with our golden coin when the blessings of giving are proverbial?

—*Inspection News* (Retail Credit Corp., Atlanta, Ga.), September, 1951, p. 121.

INSTEAD of having a long stupefying dinner, followed by long stupefying speeches, how much better it would be, if we really wished to hear the captain of industry, the senator, or the ambassador, if we could meet and hear him and, at the conclusion of the oratory, sit down together and enjoy a good dinner! We should all have a subject of conversation—and the speaker would not dare to talk indefinitely.

—William Lyon Phelps in *Autobiography with Letters* (Oxford)

For Sale

THE MORE America makes, the more it has to sell. Tremendous gains in production capacity, either already made or on the way, point toward a challenging selling job. For example:

Steel. Today's production equals 1,360 pounds per person. In 1953 it will reach 1,500 pounds—48 per cent above 1948 use.

Aluminum. Ten years ago we used three pounds per capita; today, 10 pounds; and in 1953 the figure will be 19 pounds—530 per cent above 1940.

Rubber. Within two years synthetic capacity and natural availability are expected to be twice the prewar level of 11 pounds per person.

Petroleum. Average use in 1940 was 410 gallons per capita; now it's 640 gallons; by 1953 production capacity will equal 720 gallons.

Fibers. The prewar use of cotton, wool, and rayon combined was 36½ pounds per person. By 1953 the figure will be 53 pounds for each person.

Food. Our annual consumption of food per person is 2,160 pounds—a 210-pound rise since 1940. By 1953 this will have increased another 100 pounds.

Automobiles. Within two years production capacity will be one car per year for each 16 persons. That's twice the prewar rate.

Radio. Production capacity is now one for each 12 persons each year. A 37 per cent rise—one to eight—is expected by 1953.

Television. It's one to 30 persons now, and will be one to 18 within two years.

—*Nation's Business* 12/51



"We're pleased with the way you're taking hold here, Nesbitt, and you'll be glad to know that as of the first of the month we're giving you a desk nearer the windows."

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The New Yorker Magazine, Inc.

THE BUSINESS OUTLOOK IN THE DEFENSE ECONOMY*

A. W. ZELOMEK

Economist

International Statistical Bureau

IT IS EASY to understand why business men feel uncertain about the business outlook. These men, generally expert at running their own business, have in the past come to realize that their own sales and profits are influenced by outside developments, or "background activity." Today, however, many of these general economic factors are, in turn, influenced by international developments of a political nature. As these developments have become more important, it has been difficult for these men, within a short period of time, to develop the same confidence in their judgment of these factors as they have acquired in appraising other influences on business activity.

Since Russia is the key to future developments, we must consider Russia's serious internal problems and the influence these have on the ruling groups. There is constant pressure to increase production, expand capacity, and strengthen the country. This means that hardship after hardship has to be piled on the population, first on industrial workers and then on the peasants. The economies of satellite countries have already been milked, and there are no big gains to be made from these sources. It is not surprising, therefore, that internal propaganda constantly stresses hatred of the West, the warlike intentions of the West, and the need for greater internal efforts.

Meanwhile, other problems in Europe and in the Near East, as well as in the Far East, are also increasing in seriousness and intensity, and there does not seem to be any likelihood that these problems will be settled peacefully.

How will these developments influence our expenditures for defense department military functions? At the present time, the defense establishments still have a lot of money to spend. Budget expenditures in the fiscal year 1951 were less than 20 billion, though funds available were about 57 billion. Actual expenditures in fiscal 1952, consequently, will show a very sharp increase, to about 40 billion. Meanwhile, Congress has already appropriated more money, and 40 billion of actual spending in the 1952 fiscal year will be less than half of the total funds available. There will be a carry-over of spending power into the next fiscal year of close to 60 billion. We can look forward, therefore, to a defense expenditure in fiscal 1953 of about \$55 billion, if there is no change in present schedules.

Defense spending is, of course, the reason for higher taxes. We have already seen the inroads that last year's higher tax structure has made on corporation profits. With little or no further increase this year, however, the rising level of defense spending will have the effect of causing a Federal deficit and a further increase in the money supply. Such a result is, at the least, mildly inflationary.

The fact that this year is a presidential election year may also influence government spending policies during the summer. Though there is always some leeway in the timing of new orders, we may find a bunching of orders or of government spending in the pre-election period, since any administration likes to have good business at election time.

One thing we can be sure of is that,

* From an address delivered before the American Management Association, November 30, 1951.

for the next 12 months, actual defense production is going to continue to rise. This means a high level of employment. It means, in fact, that many plants will have to recruit labor. Wage demands will be hard to refuse, and the Wage Stabilization Board will find it difficult to stabilize wages. Production costs, wage rates, income, and probably prices will be influenced.

In 1950 considerable over-buying occurred in consumer durable goods. Consumers and distributors alike believed that shortages would develop early in 1951. Though there was no real reason for this belief, it nevertheless was responsible for an accumulation of inventories. Also, production of durable goods reached exceedingly high levels late in 1950 and in the first quarter of 1951. Since then, output has been drastically reduced, while retail sales have been big enough to bring about a steady reduction in accumulated stocks. Retailers, who overbought in 1950 and went to the other extreme in 1951, are now operating more normally. It is natural, therefore, that inventories and new orders in 1952 will show some build-up in contrast to the liquidation of last year. Though the accumulation of inventories throughout the year may be moderate, any gain at all will add somewhat to production requirements.

Last year it was believed by some that spending for new plant and equipment would more or less collapse in the second half of this year, precipitating a business setback of serious proportions. These in-

dividuals failed to give sufficient consideration to two factors: One is the rapid pace of technological advance; in industry after industry, research is producing results which will stimulate new plant and equipment spending in the future. The second is the high level of wage rates; more and more, wages have been geared to the cost of living, or even allowed to exceed it. Labor costs can be held down in relation to rising wage rates only by a steady gain in efficiency and output per manhour. And even more than in the past, this requires constant investment in new processes and new machinery.

In general, 1952 will be a good year, a year of high-level activity, with much greater stability in price and production indexes than we had in 1950 or in 1951. Shortages of a few specialized items, including some raw materials and semi-finished products, will become acute; but the over-all supply of most types of consumers goods will be ample. It will still be possible in this defense economy to have periodic overstocking followed by inventory liquidation. However, inflationary factors will continue, while cost factors will become increasingly important, requiring a major share of management's attention. Though international developments seem to have introduced new uncertainties in our thinking, they have, on the whole, provided almost a guarantee that business will be held up, well into or through next year, by a very high level of defense spending.

A Suggestion System for Management, Too

SOME UNIONS notwithstanding, management men are human, too. They like recognition for their ideas, though they're often reluctant to present them in the course of ordinary business. As a result, some companies now have special suggestion systems for technical, administrative, and supervisory men. Ford, for example, has had a Management Proposal Plan in effect for about two years.

Here's what Ford reports: In 1950 more than 31 per cent of the company's management men turned in proposals, and more than 7,000 of these men have come up with acceptable ideas. Of all proposals, 40 per cent have been adopted.

The awards? There's no cash involved. An executive whose idea is adopted gets a personal letter of commendation from his plant manager. This is made a permanent part of the man's personnel record.

—*Factory Management and Maintenance*

Shorter Working-Time Buys More Goods: 1951 vs. 1929 and 1939

IN THE LEGENDARY "GOOD TIMES" of 1929, it took the average factory worker 49 minutes, at hourly pay of 57 cents, to earn a pound of round steak costing 46 cents. By 1939, with earnings up to 63 cents and round steak down to 36 cents, it took only 34 minutes. In June, 1951, with earnings at \$1.60 and round steak \$1.09, it took 41 minutes; adding the income-tax bill, which a factory worker with a family did not pay in 1939 or 1929, it took 44 minutes of work.

Beef, however, is one of the few commodities that do cost more work today than in 1939. Foods in general cost less work. Rent, which has been kept under control, has gone down most in work-time cost. The fixed family budget of goods and services that is commonly called the cost of living can be earned today in about half the time it took in 1929.

Since the necessities now take much less of the income of workers—and consumers generally—much more is available to buy, or not to buy, such other products as cars and appliances. In 1950 this surplus went into purchases of durable goods. In 1951 it is going into savings.

—*Fortune* 12/51

Where Our Brainpower Comes From

OUT OF 339,000 COLLEGE STUDENTS who took the draft deferment test last spring, 63 per cent passed. Where did the brighter boys come from? Last week, after looking over the scores of a representative sampling of freshman, President Henry Chauncey of the Educational Testing Service in Princeton, N. J. gave the answer:

Scores were higher above the Mason-Dixon Line. While well over half the Northerners passed, less than 40 per cent of the Southerners did. The middle Atlantic states led with 60 per cent. Low spot in the U. S.: the east south central states, with 32 per cent.

Scores also varied according to fields. Top men were the engineers (68 per cent), and the physical science and mathematics students (each 64 per cent). Students in the humanities fell below with 52 per cent. Lowest field of all: education, with 27 per cent.

—*Time* 1/14/52

DO YOU THINK the Atomic Age is still in the far-off future? Then consider these facts as reported from atomic research laboratories: the atomic-powered submarine will be a reality in approximately two years; the atomic airplane engine will come into being five years from now, with atomic planes in production within 10 years; atomic battlefield weapons are already here; atomic power for industry will be generally available within five years "under special circumstances."

—KENNETH R. WILSON in *The Financial Post* 10/27/51

A MANAGEMENT RESEARCH GROUP

J. FIELDING & CO., LTD., is an old-established Australian firm dating back to 1905. It manufactures and markets all types of folding cartons, plain and fancy set-up boxes, and corrugated and solid fiber shipping containers. The company employs about 300 persons in its Sydney factory.

After World War II, production demand and changing industrial conditions began to test the organization. Weaknesses appeared in the firm, especially in departments with new and inexperienced supervisory staff. Three members of the company conceived the idea of forming a "research group," which would bring together various management personnel so that they could make a collective attack on the problems threatening the organization. The inaugural meeting was held on October 20, 1947.

The Research Group's basic objective is to promote efficient industrial management and to foster a healthy team spirit. It circulates technical information among its members and seeks to develop standards for the benefit of the organization. It is mainly a discussion group which receives information from lectures by its own members and from educational films.

The membership of the group is restricted to company personnel holding managerial and supervisory positions. Top management executives are admitted into ex-officio membership only. The total group, including ex-officio members, consists of about 20 persons. Direction is vested in a committee of five elected annually. The group meets at monthly intervals on a formal basis. All members have voting rights, except the top management ex-officio members, none of whom may state his views on matters under discussion until all regular members desiring to speak have had an opportunity to express their

opinions. Each meeting is controlled by a chairman drawn from a rotating roster.

Group discussions cover all aspects of the company's organization and operations. The formal method of making recommendations to top management is invariably followed; however, not all discussions necessarily result in recommendations. Some meetings are devoted solely to the exchange of company information, developments in industrial awards, and other matters of general interest. Visitors may include anyone in the organization, as well as union officials.

The group's outstanding achievement has been the complete reorganization of the company's purchasing and stores-control system. The introduction of the 40-hour week provided another opportunity for the Research Group to act in an advisory role, and members also initiated a proposal that the company introduce a plan to reward long-service employees. The group meetings have proved useful media for training members in staff and industrial matters and in fostering inter-departmental co-operation.

The Research Group believes it has on the whole been successful. It has had tangible evidence of improvements and innovations in factory organization that have resulted directly from its deliberations. Top management recognizes the Research Group as a part of factory organization by its serious consideration of recommendations placed before it and also by regular attendance at meetings. This unusual experiment, which grew from the initiative of members of the middle level of management, has continued to exist, not only because of the enthusiasm of its members, but because it has always contributed toward a satisfaction of the real needs of the organization.

—J. McILWAINE. *Bulletin of Industrial Psychology and Personnel Practice*, Vol. VII, No. 3, p. 21:7.

Also Recommended • • •

THE MORAL CHALLENGE OF COMMUNISM. By Barbara Ward. *The Atlantic Monthly* (8 Arlington Street, Boston 16, Mass.), December, 1951. The author believes that while we must recognize the hypocrisy and deceit of Communist concern for peace, order, and morality, we should be careful not to discount the importance which Moscow attaches to these moral weapons. She points out that the massive Communist vote in Europe shows that the West is far from having scored a clear moral victory, and warns us that even so immoral a faith as the Russian faith can defeat no-faith. The answer lies in a moral revival and reaffirmation of the ideal of freedom within the individual citizen.

MIDDLE-CLASS SQUEEZE. By Henry F. Pringle. *Nation's Business* (1615 H Street, N.W., Washington 6, D. C.), November, 1951. A generation ago, according to the author, a man earning \$12,000 a year was thought to be affluent. Today, as a result of soaring taxes and prices, a man earning that amount is considerably less well off. Another reason for his financial troubles, the author suggests, is his attempt to maintain a standard of living incompatible with his income. The article includes a table which compares the cost-of-living in 1920 with that of 1951.

PHYSICAL AND MENTAL HEALTH OF EXECUTIVES. By Joseph M. Trickett. *Industrial Medicine and Surgery* (605 North Michigan Avenue, Chicago 11, Ill.), January, 1952. This article summarizes the findings of various reports on executive health, including the results of a survey undertaken to discover what companies were doing to appraise the health of their executives. The survey findings indicate that, although almost all authorities and companies agree upon the importance of physical and mental health for effective executive performance, few companies do anything about evaluating either the physical or mental health of their executive material.

HOW MUCH IS THE U. S. WORTH? *Business Week* (330 West 42 Street, New York 36, N. Y.), January 19, 1952. This summary of a study released by the National Bureau of Economic Research on the distribution of wealth in the United States from 1876 to date discusses the methods by which the estimates were arrived at and presents the major findings in capsule form. Probably the biggest contribution since 1900 to the gain in national wealth was made in the five-year period just ended. Several excellent charts are reproduced in this article.

MANUFACTURERS' PROBLEMS UNDER PRICE CONTROLS. By Samuel Nakasian and Robert P. Ulin. *Harvard Business Review* (Gallatin House, Soldiers Field, Boston 63, Mass.), January-February, 1952. The authors address themselves to the question of how to keep a business growing despite the difficulties imposed by price controls and the squeeze on profit margins resulting from rising costs. Among the recommendations offered as to what hard-pressed management can do are: ingenious product design, skillful substitution of materials, aggressive bidding for defense work, and promotion of available consumer products, all of which are in the public interest, as well as that of the individual manufacturer.

COMPANY PREPARATION FOR EMERGENCY MANAGEMENT. By Robert D. Gray. California Personnel Management Association, 2180 Milvia Street, Berkeley 4, Calif. 10 pages. \$1.00. Declaring that the situation with respect to manpower and materials is critical and will become more so before improvements occur, Mr. Gray points out that it is the responsibility of each management to do what it can to devise its own solutions without waiting for governmental plans or directives. Seven ideas which individual companies can apply to accomplish this are presented.

10 WAYS OF SAYING WELCOME. *Purchasing* (205 East 42 Street, New York 17, N. Y.), February, 1952. These reproductions of sections of actual reception room booklets suggest many features which are easily adaptable to the needs of companies of all sizes. One of the reception folders includes the following thoughtful note, which, no doubt, makes for better interviewing: "After completing your visit here, should you be very pressed for time to make a train or plane, the receptionist will arrange for a company car to convey you to hotel, station, or airport."

SHOULD BASIC RESEARCH COME FIRST? By Gwilym E. Owen. *Antioch Notes* (Antioch College, Yellow Springs, Ohio), January 17, 1952. Today too many able young scientists are being drawn into applied science, the author believes. Since the applied scientist depends upon continued growth in our fundamental knowledge of nature, it is unfortunate that the United States has not contributed as much to fundamental physical science as it might have. The author makes a plea for conditions which will make it possible for colleges and universities to carry on fundamental research.

PART-TIME WOMEN WORKERS: A MAJOR SOURCE OF LABOR SUPPLY

THE NATION faces its present emergency with no substantial backlog of employable persons searching for full-time jobs. Many women who are willing and able to take paid jobs cannot work full time because of family and household responsibilities, while most of those who want to work full time are already employed. As the labor market continues to tighten, women part-time workers may therefore become one of the most important sources of labor supply.

To discover what the present experience with part-time jobs for women from employers' and employees' points of view has been, the Women's Bureau of the U. S. Department of Labor surveyed more than 1,000 establishments having women part-time workers and interviewed more than 1,800 women employed on part-time jobs in 10 cities. Here are some of the survey findings:

Most part-time jobs are filled by married women, generally over 35 years of age with at least a high-school education, who have had full-time work experience. Few have young children. In most cases, part-time workers do the same kinds of work on shorter schedules that they did as full-time employees.

The majority of the women part-time workers studied were in the important women-employing occupations of sales, food service, and clerical work. Teaching, nursing, and social work were the principal professions represented.

Qualifications for part-time jobs, besides work skills and experience, were relatively unimportant. Mature age, 35 years and over, was more of an asset than a liability to the part-time worker.

On the whole, employers interviewed by the Women's Bureau did not report age or marital status as important or determining factors in hiring women for part-time work.

Employers recruited their part-time workers in the same ways that they did their other employees. The one difference was that former full-time employees were often "called back" for part-time jobs.

The distinctive feature of part-time work, a short regular hours schedule, proved as variable as the jobs. Twenty hours a week, spread over five days of four hours each, was the most common schedule. Another frequent schedule was three full days a week equaling 24 hours.

The rates of pay depended entirely on the going rate for similar full-time jobs. Part-time earnings were worked out on an hourly basis, with business-machine operators generally the highest paid clerical workers. Some part-time salespersons received commissions, but many did not.

The real wages of part-time workers increased as employers made available to them some of the so-called "fringe benefits"—particularly paid vacations and sick leave—which full-time workers have. The survey found that the firms which had established such benefits for full-time employees, more often than not, extended them to part-time employees with reasonable modifications.

The test of the reasonableness of part-time work is whether advantages outweigh disadvantages for employers, employees, and the community.

Almost all the employers said that there were advantages to them in having part-time workers. Part-time workers helped

them to: (1) cover peak loads or busy periods; (2) provide relief for full-time employees; (3) have competent assistance on jobs not requiring full time; (4) provide a variety of special services or activities operating part time; (5) stay within limited budgets; (6) use the skills of persons available only on short schedules; or, (7) provide some trained staff despite shortages of professional workers.

Though less than a third of the employers named disadvantages, these employers were, nevertheless, vocal and specific. The chief complaint was "undependability" of women part-time workers. Behind that difficulty were home responsibilities. Closely related were "high turn-over," "expect too frequent adjustments in schedule," "lack of continuity," or "unwilling or unable to work particular hours needed."

The women who were interviewed liked part-time work, saw no disadvantages,

—*Part-Time Jobs for Women* (U. S. Department of Labor). Available from the U. S. Government Printing Office, Washington 25, D. C. 82 pages. 25 cents.

and considered their work "worth while." They approved the system because it met their needs for supplemental income, outside interests, and opportunities to use their skills and abilities. Part-time work fitted the home-life pattern of the married women and often, they said, contributed to its enrichment.

The community, too, gains much from part-time work, the survey found. Part-time work "unfreezes" skills which are needed and which women have but do not use at home. The release of those skills into the labor market, even within the limitations of part-time jobs, adds to the total productivity and services of the community. In emergency situations this becomes very important, since it means that full-time workers with possibly higher skills can be drawn into more essential jobs without completely disrupting the many services expected by a highly geared modern community.

RECRUITING THE HANDICAPPED

IN RECRUITING handicapped workers, some companies that have not previously employed them are confused as to how to proceed, where to place job orders, and how to specify the degree of impairment which will be acceptable. Many of these problems will be eliminated by a thorough understanding of these factors:

1. There is no universal definition of a "handicapped" worker. This varies with the industry, job, and employer.

2. No special recruitment effort is necessary to secure job applicants with slight physical impairments. This is especially true in the white-collar field. An employer's regular labor source will usually refer such workers without comment—

unless the employer has a history of very high job standards or unless he specifies certain physical requirements.

3. Workers with severe physical impairment are generally available only through state employment services, veterans employment services, or other public agencies of that nature. They are sent to fill job orders only after intensive investigation of the work site, job requirements, employer's restrictions, etc.

4. Deciding whether or not a job can be filled by a handicapped worker is the responsibility of the employer generally, but he can get expert assistance, for example, from the State Employment Service's placement experts, who will make a

personal visit to the employer's plant or office. These experts will help the employer draw up a physical-demands form which can be used for every job. This form indicates at a glance which physical functions are absolutely essential to handle a given job, which are desirable but not essential, and which are not needed at all.

5. Actual placement of handicapped workers does not differ from placement of the unimpaired. The job applicant must be individually appraised in the light of his skills and abilities, as well as his limitations. No worker, physically impaired or not, should be hired for a job unless he is qualified for it.

Some employers cut themselves off from the pool of qualified but impaired workers because of the dread of having to reject an unsatisfactory applicant. Placement

experts repeatedly assert that this objection is not valid, since handicapped workers are thoroughly indoctrinated with the idea that they can compete on equal terms with unimpaired workers only when they are properly placed. A rejection on the basis of lack of qualification will encourage rather than discourage impaired workers, since lack of consideration at all is their main obstacle.

Employers should not hesitate to use the State Employment Service in recruiting these workers. Some employers have complained that the state agency in many cases does not attempt to do a selective referral job. Whether or not this applies in your particular area to unimpaired workers, it does not apply to the handicapped. These workers are carefully screened and referred only if they seem qualified in the light of their limitation.

—*Labor Checklist* (Research Institute of America, Inc., 292 Madison Avenue, New York 17, N. Y.), January 16, 1952.

Composite Scientist

A SURVEY recently completed by General Aniline & Film Corporation should show companies in need of scientists the type of man they are looking for. A company poll of its own scientists resulted in this description of the typical American researcher:

He is just under 35, five feet nine inches tall, weighs about 160, is married, and has two children. He has at least a B.S. degree, probably a Ph.D., and holds, alone or with associates, three patents and has two patents pending. He understands from one to six foreign languages.

He is more likely to be found in church or at the movies than at concerts. He shoots about 106 on the golf course and likes bowling and swimming.

He thinks that we shall have a third world war unless the peoples of the world have the scientists' appreciation of the power of science to destroy them.

If he had it all to do over again, he would still be a scientist.

—*Nation's Business* 11/51

Piano Lessons for Employees

PIANO LESSONS are being offered to employees on both day and night shifts by the Electro-Motive Div., General Motors Corp. Courses will include 24 classes over a 12-week period (two half-hour classes per week), at the conclusion of which member-students should be able to read and transpose music. This is not a short course, but an accelerated regular course. There is a 50-cent fee for each class, plus a small charge for music and other materials.

—*Newsletter* (National Industrial Recreation Association) 2/1/52

WHY DO THEY REALLY QUIT?

WHEN AN employee quits for a reason other than retirement or resignation for a better job, there has been a failure; an individual has not made a successful adjustment to his environment. Who is to blame—the employee or management?

Experience has taught us that the turnover rate is closely related to economic conditions. Turnover falls during a period of economic depression and rises with prosperity, when the security of a steady job is replaced by the security of a full job market. With the present world situation demanding increased production, we know that the quit rate will rise. How many of these potential quits can be salvaged? What causes for quitting can be eliminated? How many "unavoidable" separations are not unavoidable at all?

In 1944, the Harwood Manufacturing Corporation shared with all wartime industry the problems created by excessive turnover. The usual explanations for quitting were provided: no transportation, not enough pay, disliked the work, home responsibilities.

An analysis of the situation, however, indicated that the reasons given in the exit interview were not basic and that the high turnover rate might be due, instead, to failure feelings on the part of the workers. This was a surprising finding—for not once had feelings of failure been suggested by employees as a reason for quitting.

Upon further study, it was discovered that, of 116 employees rating above standard in production during the previous month, there had been no quits. On the other hand, there had been 28 quits among 211 rating below standard. Another finding of even greater significance was the fact that there was a greater turnover among the "almost skilled"—those who had almost reached standard—than among

those who were considerably below standard.

This led to the formulation of the frustration-failure hypothesis. It was discovered that there are two important factors in the "almost skilled" situation: (1) As the desired goal of standard production is approached, the worker becomes increasingly eager to reach it. (2) As the level of productivity increases, it becomes more difficult to increase productivity further. These two forces are, obviously, in conflict. The resulting frustration leads to discouragement and a sense of failure, and the employee gets out of a painful situation by quitting. The next step, therefore, was to find methods to eliminate employee frustration.

Any analysis of turnover data will reveal that most of the turnover consists of brief-service separations. One study covering a period of a year showed that 60 per cent of the separated employees had had 13 weeks' service or less. What is there in the training period which is likely to frustrate the new employee? According to the study, the trainee very quickly learns the full import of "standard." He comes to understand that the operator who achieves standard production has status and security, and that, furthermore, management expects him, the trainee, to reach standard within a reasonable time. Accordingly, he sets this as his goal. The first few weeks will be encouraging, for this is the period of most rapid improvement, but then the motor learning curve decelerates and further improvement comes slowly. The trainee then begins to wonder whether he will ever attain standard production that the skilled operators around him have achieved, seemingly without difficulty, and, feeling discouraged, quits.

It was found that frustration in this

situation could be eliminated by orienting the trainee to more realistic goals. Herefore the goal had called for a large degree of improvement over an extended period of time, permitting little opportunity for success experiences along the way. The study showed that it would be more realistic for the trainee to establish goals which required small improvements over short periods. The achievement of a subgoal would provide a success experience, motivating the trainee to set and achieve the next subgoal.

—ALFRED J. MARROW and GILBERT DAVID. *Personnel Administration*, Vol. 14, No. 6, p. 1:6.

MIDDLE-OF-THE-ROAD POLICIES CAN CURB ABSENTEEISM

MANY AN EMPLOYER today is faced with this problem: Should he maintain a "soft" policy on absenteeism and absorb the consequent production losses as well as he can? Or should he "get tough" and risk the complaints and possible loss of employees? In these days of plentiful jobs and high production needs, the choice is not an easy one.

Some companies are developing a middle-of-the-road policy to deal with the problem. This involves the adoption of practices which deter absenteeism without being so drastic that they boost the turnover rate. Here are some of the ways this can be done:

Loss of Seniority. Though long-service employees generally have good attendance records, occasionally the veteran employee feels he's entitled to some special privileges—perhaps a day off now and then for personal reasons. In such cases, a strict rule that an excessive number of unexcused absences will cause a loss of seniority can be an effective guard. Sometimes the penalty for unexcused absence may be something less than outright forfeiture of seniority.

A training program designed upon this basis substantially decreased turnover for every level of productivity. The average monthly turnover for learners had been about 13 per cent in 1944; it was reduced to approximately 5 per cent in 1947. Especially gratifying was the reduction in turnover among the "almost skilled" group; 1947 turnover was one-third of the 1944 rate. Obviously, this is the most desirable group to salvage, since they represent the greatest investment in training costs and are close to the level of satisfactory production.

A single such absence at Van Camp Sea Food Company, for example, drops the offender to the bottom of the seniority list.

Forfeiture of Overtime. Some firms withhold overtime from an employee who is absent during the week without reasonable cause. At Dow Chemical Company, for example, double-time pay is reduced to time and one-half for the number of hours lost through partial days of absenteeism for personal reasons.

Delay in Advancement. One of the most successful ways to reduce absenteeism is to make it clear to the employee that such conduct will bar or delay his progress in the company. Allen Manufacturing (Hartford, Conn.) minces no words in driving this point home to its workers:

Habitual absence is considered as more than five days lost in any six-month period, whether excused or not, excluding leaves of absence. Excessive absence without proper cause makes an employee subject to reprimand or dismissal. It also makes him ineligible for advancement. Your foreman decides whether or not an absence is excusable. Even excused excessive absence may delay your advancement.

Reduction of Vacation. To affect the employee's vacation allowance, absences during the year have to be high. It's the rare company that deducts more than one day for each 30 days of absence. The policy at Western Electric (Kearny, N. J.) provides that the amount of vacation to which the employee is entitled shall be reduced by one-twelfth for each full period of 30 consecutive calendar days' absence during a 12 months' period (other than paid-for absences owing to sickness or accident disability).

Loss of Holiday Pay. For the past several years, it has been the practice for employers to guard against the stretching of holidays by denying holiday pay to employees who take off either the day before or the day after the holiday.

—*Employee Relations Bulletin* (National Foremen's Institute), October, 1951, p. 8:4.

However, the general trend in this case seems to be toward relaxation—rather than tightening—of this rule. Experience has shown that employees resent being penalized by loss of their holiday pay when they are out through illness or for some other reason beyond their control. Unauthorized absenteeism is curbed just as effectively by a milder policy, such as the one in effect at Felt & Tarrant Manufacturing Company (Chicago, Ill.), whereby an employee who is absent on the work day before or the work day after any one of the specified holidays because of legitimate illness and who has performed any work during the week immediately preceding or immediately following such a holiday will be paid holiday pay.

Wage Settlements: 1951

WAGE REGULATIONS had a strong effect on the volume, size, and type of pay adjustments negotiated during 1951. Fewer than one quarter of the 2,968 settlements reported during the year failed to use up or exceed the margins for increases set by WSB. The main emphasis shifted during the year from general increases to living cost and productivity adjustments, but by the year's end, as margins in these categories were being exhausted, there was a rapid trend toward settlements on fringe issues.

The over-all picture for 1951 shows that wage increases were almost evenly divided between those of less than 10 cents (48 per cent) and those of 10 cents or more (52 per cent). Only 1 per cent of the total number of agreements called for no general increase. The important consideration in wage bargaining was not so much the size of the immediate raise, but the amount of the total increase since January, 1950—base date for stabilization purposes. Throughout the period, a significant number of agreements called for raises above the current WSB ceiling.

The volume of fringe benefit provisions fell off in 1951 as bargaining concentrated on cash gains. Fifteen per cent of settlements during the year provided insurance benefits, and 6 per cent called for new or revised pension plans—as against 24 per cent and 8 per cent in 1950.

Escalator clauses were written into 8 per cent of 1951 wage settlements—a slight increase over 1950. Frequency of these clauses rose from 6 per cent in the third quarter to 9 per cent in the final quarter of 1951, reflecting WSB's sanction of wage boosts tied to living costs.

—*Facts for Bargaining* (Bureau of National Affairs, Inc.) 1/18/52

RETIRED EMPLOYEES at Upjohn Co. (Kalamazoo, Mich.) are given guest cards which entitle them to free lunches at company snack bars and cafeteria whenever they choose to visit the plant.

—*Forbes* 10/15/51

PICKING FOREMEN IN A HURRY

EMPLOYMENT HAS increased fivefold in about a year's time at the Columbus plant of North American Aviation, Inc. That's rapid expansion. And it has brought with it one of management's toughest problems: How do you pick the right people for supervisory jobs when you have to pick so many so fast?

Ordinarily, management can take a long look at its employees and then decide who ought to be promoted from the ranks. Training does the rest. If past promotion rates hold up, however, management in this case will have to pick about 700 more supervisors—from first-line or lead-man positions up to the foreman level. It's easy to see the possibility of making mistakes when you promote that many people, especially when some of them are new employees who haven't been around long enough to be judged properly by those above them.

North American Aviation thinks it has solved the problem by use of a promotion-by-vote system. In principle, the system is not new, but this company's version has two out-of-the-ordinary features: (1) Before anyone can be promoted, he has to get the nod from his fellow employees; (2) an employee who wants to be promoted is allowed to nominate himself.

At the base of the system are the supervisory selection boards—one at each plant. Each month the board (composed at this plant, of two permanent members—the factory manager and the industrial rela-

tions head—and two to four rotating members) gets a list of the coming month's personnel requirements from general foremen. It also gets a second list—the names of employees who have been nominated for promotion.

To be placed on this second list, an employee has to (1) be recommended by company job analysts, (2) be chosen by supervisors in his own department, or (3) nominate himself. (Actually, few employees nominate themselves. In North American's Los Angeles plant, 75 per cent of the nominations come from supervisors, 20 per cent from job analysts, 5 per cent from the employees themselves.)

Evaluation of each candidate is carried out on a detailed point system. There are four main tests: background and experience, rating by fellow workers, rating by supervisors, and educational background plus results on job-knowledge tests. Points are allocated so that these four items carry about equal weight in the final evaluation.

To rate a candidate, three or four co-workers are asked to fill out detailed questionnaires provided by the company (they don't sign the forms). These cover the man's ability, his drive, and whether or not he's generally well liked. Two of the man's supervisors also rate him on these qualities plus others, such as job knowledge and cost-consciousness. When the evaluation is completed, the board adds up the score. In 95 per cent of the cases, the top man gets the job.

—*Business Week*, January 12, 1952, p. 72:3.

IN VIEW of the growing emphasis on use of older workers, it is significant to note that the visual acuity of an individual decreases with age, other factors remaining equal. This can be offset in large degree by providing additional illumination. For equal visual acuity, people of 60 years of age require twice as much illumination as people of 20 years of age.

—J. J. BLOOMFIELD in *Industrial Health Monthly* 11/51

A Plan for Everyman

SEEKING to develop a more effective way of selecting and developing men for supervisory and higher management jobs, Western Area, Bell Telephone Co., Canada, introduced 10 years ago a "Plan for Everyman," by which the working career of every employee could be planned and directed from youth to retirement.

Once a year, each supervisor prepares a report on three aspects of every employee who works under him: (1) State of health, performance, and personal relationships with others; (2) apparent potential; (3) need for training, medical aid, change of work or domicile. This report is usually prepared in consultation with the individual employee, and discussed with the supervisor's immediate superior. The head of the unit then calls a meeting of the supervisors concerned and representatives of central personnel groups. Each report is discussed until the group reaches a unanimous recommendation.

Simple summaries are prepared covering the people reviewed and used for manpower planning. On this basis, every employee knows where he stands and can contribute to his own development. Every supervisor is informed about members of his group and has to fulfill recommendations concerning them. Every unit head and every personnel manager is kept posted on the manpower situation so that he can plan accordingly. Top management is kept informed of the overall situation and can adjust policy and programs to meet changing demands.

—*Personnel Management, Welfare & Industrial Equipment* (London, England) 12/51
(as adapted from *Personnel Management* 9/10/51)

Fringe Benefits in a Basic Industry

FOR THE FIRST TIME, an official estimate has been made of the dollars-and-cents cost of fringe benefits to the employer. A valuation of almost 19 cents per hour has been placed on such items as insurance, vacation and holiday pay, bonuses, and sick leave for the nation's steel workers in a new report issued recently by the Labor Department's Bureau of Labor Statistics.

The average plant worker in basic steel earns a base pay of \$1.79 an hour, according to this comprehensive wage survey. The study provides wage scales for a large group of individual occupations and includes information on geographic differentials. Appended to the wage tabulation are the findings of a job evaluation study used by the major steel producers.

A limited number of copies of the report, entitled *Wage Structure in Basic Iron and Steel*, may be obtained without charge from the New York Regional Office, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, New York.

Service for Servicemen

TAKING CARE of GI's is given special attention at Firestone. Among the items sent to servicemen under the Firestone GI program are:

1. Regular letters from foremen, fellow workmen, and officers of the company. During World War II, the company maintained a staff of six girls who worked full time taking care of mail to servicemen and helping solve their problems at home.
2. Company newspapers.
3. Packages are sent by the company three or four times a year, and an attempt is made to provide something a little unusual. One such gift was a lucky piece which allowed the GI to go into any Firestone store and get a 20 per cent discount.

—*Mill & Factory* 1/52

Also Recommended • • •

SENIORITY: AN INTERNAL UNION PROBLEM. By Leonard R. Sayles. *Harvard Business Review* (Gallatin House, Soldiers Field, Boston 63, Mass.), January-February, 1952. This article grew out of a research program on human relations problems of labor unions which is being conducted by the New York State School of Industrial and Labor Relations at Cornell. The author's extensive contacts with union members and officials proved that nonwage problems, particularly seniority, are stressed by workers, and that labor unions are facing many problems of change, growth, and adjustment in organization as a result. The whole situation is one which management will find it worth while to understand in its future negotiations with the union, the author believes.

UNION EDUCATION SURVEY. *Labor and Nation* (Inter-Union Institute, Inc., 15 Amsterdam Avenue, New York 23, N. Y.), Fall, 1951. The purpose of this survey is to determine the extent, aims, and types of labor education programs carried on today by trade unions and workers' education bodies, and to discover trends that seem significant and that should be encouraged. Attention is focused on efforts to give union members a better understanding of international relations, world problems and policies—especially those connected with the American labor movement—the United States government, and the United Nations.

WHAT JOBS LOOK GOOD. *Changing Times: The Kiplinger Magazine* (1729 H Street, N. W., Washington 6, D. C.), January, 1952. The article surveys job opportunities in 50 occupations and 10 big industries in the light of occupational outlook studies made by the Labor Department. It is pointed out that, on the whole, the jobseeker's chances of getting the job he wants and making a decent living at it were never better.

WHITHER COLLECTIVE BARGAINING? By William G. Caples. *Commerce* (1 North LaSalle Street, Chicago, Ill.), January, 1952. Labor's long-term goals are classified as economic (higher wages, increased welfare benefits, increased leisure time); non-economic (individual plant bargaining, control over jobs, improvement in working conditions); and institutional (preservation and greater strength of the union). The author speculates on the effect the achievement of these goals would have on business and on management's job. He concludes that when unions and management arrive at an understanding of each other's goals the country will benefit, both in goods produced and in the effective utilization of people.

HUMAN RELATIONS AND EFFICIENT PRODUCTION. (National Association of Manufacturers, 14 West 49 Street, New York 20, N. Y.). Available gratis. The expansion and strengthening of our economy to meet both our mobilization and civilian needs place new emphasis on the importance of human relations. No company can operate at maximum efficiency, it is pointed out, if the health, dignity, and self-respect of individual employees are not carefully safeguarded. This booklet presents a checklist to guide management in reappraising its employee policies.

MANAGEMENT AND LABOR LEARN TOGETHER. By Irving J. Phillipson. *Dun's Review* (99 Church Street, New York 8, N. Y.), September, 1951. This is a detailed description of a training course designed by one company to solve such problems as absenteeism, wrangling over grievances, carelessness, and low morale. While the over-all plan involves considerable and continuing effort on the part of management and the union, the author reports that both are convinced that the effort is fully compensated by the increased efficiency in managing labor relations which results.

UNION-MANAGEMENT RELATIONS AND TECHNICAL CHANGE: A CASE STUDY. By Solomon B. Levine. *Current Economic Comment* (Bureau of Economic and Business Research, College of Commerce, University of Illinois, Urbana, Ill.), November, 1951. The problem in human relationships caused by the introduction of technical changes and the role of collective bargaining in handling this problem are discussed in this article, and a case study is presented. The author concludes that the exact techniques for solving the problem fall within a wide range of possibilities, but, in general, the best solution is one worked out in cooperation with the local and national unions, management, and the community.

WAGE TRENDS IN MACHINERY MANUFACTURING, 1945-1951. By Frederick W. Muellen. *Monthly Labor Review* (U. S. Government Printing Office, Washington 25, D. C.), January, 1952. Straight-time average hourly earnings of plant workers in machinery establishments in large cities rose over 55 per cent between January, 1945, and January, 1951. As traced by the Bureau of Labor Statistics' newly developed index, the year-by-year movement of machinery workers' straight-time hourly earnings is consistent with the postwar pattern for industry generally.

WHAT TO DO ABOUT OFFICE ACCIDENTS

WHILE OFFICE WORK, both for type of effort involved and conditions of employment, is relatively safe, an inspection of any office will probably reveal numerous unsafe practices and conditions. Experience has shown that though accidents involving office personnel occur infrequently when compared with those involving industrial workers, such accidents may have serious results.

The U. S. government reports that about 50,000 of its office employees suffer job accidents in a year—and companies reporting to the National Safety Council experience a frequency rate of 2.83 for office workers. (This is the number of disabling injuries per million man-hours worked.) The national figure for severity rate of office accidents is 0.39, an expression based on days lost per 1,000 man-hours worked. While office work is safer than machine shop, construction, and other industrial operations (where the mean frequency rate is 13.26), it can hurt just as much if you fall off a ladder in an office as in a plant.

The prevention of office accidents is basically a function of management. Two major factors govern a worthwhile and effective safety program—first, the correction of unsafe conditions, thus providing a work environment as free from accident hazard as possible; second, the development of employee interest in safe practices, resulting in intelligent employee cooperation. Since only 10 to 15 per cent of industrial accidents, which include office accidents, are the result of an unsafe condition and the remaining 85 to 90 per cent are caused by personal failures or

acts, employee education in safety is an absolute necessity.

In general, best results have been obtained in such education programs by giving supervisors special training and then having them serve as instructors. The minimum training program for office workers should include a good induction program; thorough job training, with continuous follow-up; and intensive safety training related to work.

The following rules, if adhered to, will contribute to office safety:

Filing Cabinets. File clerks should be given instructions on how to open and close file drawers. The drawers should be equipped with positive stops and should be closed when not in use. Keep heavy drawers at bottom, open one drawer at a time, and avoid keeping material of any kind on top of file cabinets.

Lighting. Adequate illumination, free from glare caused by sun, exposed bulbs, or reflection from highly polished surfaces and glass-top desks, should be maintained. The recommended lighting intensity runs from five candle power for corridors and stairways to 100 candle power for machines. Included in these recommendations are 50 candle power for desk work, 50-100 for machines, and 25 candle power for filing and index references.

Fatigue. Fatigue has been recognized as an underlying cause of accidents. A major cause of fatigue is improper position or posture necessitated by office furniture which is poorly designed and which cannot be adjusted easily.

Rest periods, which allow employees three to five minutes at eleven in the morning and at three in the afternoon,

have been found desirable by some organizations. Accident occurrence generally approaches its peak at these times.

Special Hazards. Slipping hazards may be created by water, oil, waste paper, pencils, rubber bands, etc. Of particular concern should be the entrances of a building in inclement weather. Surfaces should be mopped, and whenever possible rubber mats should be placed in the most traveled sections.

Extension cords should not be placed on the floor but installed in special raceways that reduce to a minimum the tripping hazard. They should never be run across an aisle or walkway. Moreover, when office furniture and equipment are laid out, ample room should be left for these walkways and aisles. Whenever

—THOMAS J. BERK. *Best's Fire and Casualty News*, January, 1952, p. 109:4.

"REMOTE CONTROL" DICTATION

THE USE OF A telephone instrument as a substitute for the conventional phonographic dictating machine is known as "Remote Control" dictation. Many companies, having large volumes of correspondence, are investigating the benefits and economies claimed for this device. One large Eastern company has experimented with the installation in its group department for a period of six months and is convinced it will realize a net annual savings of \$16,000 plus other benefits.

The first step was to organize a central transcribing and typing section for this department by combining all stenographic and typing personnel in one section. In order to realize what seemed to be a potential savings of approximately 10 to 12 clerks, it was necessary to realign certain clerical duties. Before the change to "Remote Control" dictation was made,

passageways have blind corners, provision (in the form of a mirror set at a proper angle or a center line painted on the floor) should be made to avoid collisions.

Desk Troubles. Many companies equip desks, chairs, and table legs with rubber "feet" to prevent "creeping" and to preserve proper alignment, since it has been found that office employees, especially when desks are placed close together, frequently attempt to realign the equipment and in so doing injure their fingers or hands. Moreover, stenographers and typists should be cautioned to use the handle or handle grip while closing disappearing typewriter desks. The weight of the typewriter causes this section of the desk to close rapidly, with the possibility of injury to finger or hand.

16 girls were taking some dictation, either by conventional shorthand or by the use of individual dictating equipment. Ten of this number were spending full time on "secretarial" duties, and the remainder were called upon from time to time to act as stenographers.

The "Remote Control" dictation system was set up by assigning six transcribing instruments for correspondence dictation, form letters, and fill-in letters; one instrument for contract proposal dictation; and one for telephone conversation recording. Three full-time operators now transcribe dictation from 54 dictators in the group department. In December of last year, there were 10 fewer clerks employed in typing duties in this department, thus realizing the anticipated savings indicated at the time of the survey. The study also indicated an average increase in individual production (words

per minute) of approximately 50 per cent.

Clerks assigned to the central transcribing section were given special salary considerations, based on increased productivity, at the completion of five months in the section.

The amount of dictation varies considerably among the dictators, ranging from one letter per week to as many as 35 per day. In order to equalize the load among the three regular transcription clerks, a switchboard was installed. During periods of peak loads, dictators are switched to less busy machines. Whenever possible, transcribers serve the same group of dictators from day to day.

The company has practically eliminated the "collision factor" (the dictator en-

countering a busy signal). One spare machine is provided for this emergency. It is also available in case of a mechanical failure or in the event of long and complicated dictation, involving the use of a special transcriber.

During this experimental period, the unit operated on a five-hour "signature service" (lapsed time between dictation and signing of letters). It is expected that this period will be shortened to two hours as the plan becomes perfected.

Companies offering remote control dictating equipment are the Edison Telephone System and the Dictaphone Corporation. Other dictating machine manufacturers are developing similar systems.

—L.O.M.A. Bulletin (issued to members of the Life Office Management Association, New York, N. Y.), January 15, 1952, p. 3:2.

An Honor System for the Office

IN THESE DAYS of disintegrating moral codes, evidenced by police-bookie tie-ups, basketball fixes, etc., it's good to hear of an honor system that works.

In one office the girls were permitted two fifteen-minute rest periods, one beginning at 10:15 A.M. and the other at 3 P.M. At both times, however, some girls took as long as 25 minutes to return to their desks. There were 55 employees in the department, and the time lost each week was appreciable.

The office manager's reference to this situation at one of the staff meetings met with a display of innocence and indifference, until one girl pointed out that in her opinion a uniform rest period wasn't a good idea since people had different needs. Why shouldn't it be possible, she asked, for everyone to take her 30 minutes when she felt like it.

This suggestion was adopted and everyone was put on her honor to take not more than 30 minutes. The idea has worked out so well that other departments in the company have followed the same plan.

"As a matter of fact," the office manager said, "I have made enough spot checks to be convinced that many girls never take the full 30 minutes. They like to feel that they're trusted, and they actually lean over backwards not to abuse their freedom."

—*Supervisor's News Service* (Bureau of Business Practice) 10/31/51

The "Whiz" Tube

A MECHANICALLY OPERATED interoffice communications system that can dispatch messages without the use of conventional pneumatic tube carriers has been installed by Dun & Bradstreet, worldwide credit reporting agency, in its new 11-story building.

Dubbed the "whiz" tube because of its remarkable speed, the system is the first of its type to be installed in the United States and is used to dispatch inquiries

received by telephone to the company's huge filing area on the fourth and fifth floors. The inquiries, written on small tickets, are merely inserted into slots at one end of the rectangularly shaped tubes and automatically sped to file clerks who handle the company's approximately three million reports. Because of the time saved in transmitting these inquiries, requests which formerly necessitated time-consuming call-backs can now be answered, in many instances, while the customer is still on the phone. It takes only three to seven seconds for a ticket bearing the requested information to travel from the central dispatching desk near the telephone switchboard to any one of the 32 receiving points.

A notable feature of the system is that messages can be delivered through pneumatic tubes without the aid of carriers. The tickets, folded at the end to form a small "sail," serve as their own carriers—a feature which distinguishes this method from the conventional carrier-type installations used in department stores and other commercial enterprises. In use in Europe for many years, the system can be adapted to meet the interoffice communication needs of a variety of business enterprises. It was supplied by the International Standard Trading Corporation, an associate of IT&T.

Grouping Form Orders to Reduce Costs

GROUPING FORM ORDERS to realize printing economy is an established plan of operation in many companies. One large Eastern company recently explored the idea, and through cooperative planning between the forms control division of the planning department and the supply and printing department, considerable savings, amounting to 50.3 per cent, were realized on the first three group orders. Here's how the plan works:

First, users are asked to order forms in quantities to last for a given time. Then the procedure below is followed:

Forms Control

1. Sort all forms into groups having common specifications.
2. Prepare printed requisitions within each group of forms, the size of the requisition being determined by the common denominator of weight.
3. Select forms so that they can be "gang-run."
4. Give the group order to the Supply Department for implementation.

Supply Department

1. Have sufficient copies of the preprinted requisition made for distribution to all ordering departments or field offices.
2. Develop a timetable and maintain a control.
3. Compile all orders, establishing total requirements plus a 20 per cent emergency supply for each form listed.
4. Instruct departments and field offices in the purpose and use of the preprinted requisition (group orders).
5. Place printing orders as usual.
6. Distribute according to each requisition direct from skids.

Printing Department

1. Receive approved printing orders, which represent six months' requirements for each group of forms.
2. Deliver the finished forms on skids directly to the shipping room for immediate delivery to the field or department.

—L.O.M.A. Quarterly Review (issued to members of the Life Office Management Association, New York, N. Y.) 1/1/52

THE MEASURE OF A MAN'S real character is what he would do if he knew he would never be found out.

—THOMAS B. MACAULAY

HOW TO WRITE A BETTER REPORT

WHAT kind of report to superiors or associates makes the best impression?

When a certain executive was asked the above question, he told this story:

"I've developed my own method of screening my mail. First, I open it all and pile it on the left side of my desk. Then I pick up whatever piece of mail is on top—and start reading. At the same time, I move it toward the right end of my desk where I keep my waste paper basket. If nothing in the letter catches my interest by the time I reach the waste basket, I drop the letter in."

This story may or may not be true in your company; nor is this procedure for screening mail recommended. But this story does illustrate the need for catching and holding the reader's interest.

Most people have little difficulty recognizing a good report when they see one. But they also know that it's not so easy to write one. Here are a few pointers to keep in mind when you are starting to write a report:

Organize your thoughts. Think through in advance what you want to say. Then list your points in such a way that they will hang together.

Consider the reader. When putting your ideas on paper, keep your reader in mind. Think how he is likely to react to what you say.

Stick to one main subject. Don't try to cover a lot of subjects in one report. If you want to cover more than one subject, it may be better to write a separate report for each one.

Write the way you talk. A good test to use in writing a report is to ask yourself how you would express yourself if you were speaking face-to-face. Then try writing it that way.

Make sentences short. Avoid lengthy and involved sentences wherever possible. When the average length of a sentence is more than 20 words, reading tends to become difficult.

Divide your report into paragraphs. Short paragraphs make for easier reading. It's good practice to have each paragraph contain a separate and complete thought.

Summarize the "kernel" of your ideas. At the beginning of a report, particularly in long memoranda and reports, use a sentence or two to highlight the objective, results, and recommendations. This helps the busy reader to see all the important information at a glance.

Avoid complex words and phrases. Why write, "we shall endeavor to ascertain" when the phrase "we shall try to find out" means the same thing? Or, why use "malefficient" when "harmful" means the same thing?

Use concrete illustrations. In trying to put your ideas across, specific illustrations are more effective than general statements.

Avoid unnecessary words. Keep sentences brisk. The sentence, "I cannot go inasmuch as I am sick," can be written, "Cannot go. I'm sick," without losing anything but four words.

Use active verbs when possible. Using active verbs makes a report more lively. Take this sentence, for example: "When an application of wax is made to the surface, a brilliance is imparted to it." Why not write: "Waxing the surface brightens it."

Avoid stock phrases. Such expressions as "more or less," "on the whole," "for the most part," and "generally speaking" are vague and add little to a sentence.

—Management Information (Elliott Service Co., 30 N. MacQuesten Parkway, Mt. Vernon, N. Y.), December 17, 1951, p. 2:2.

White-Collar Unions Cover Two Million

ABOUT 15,000,000 American workers are included in the general classification "white collar," comprising clerical, professional, technical, sales, and related occupations, according to a listing recently issued by the U. S. Department of Labor. Of these, an estimated two million are members of labor unions.

This list, "White-Collar Unions of the United States" (10 pages, mimeographed), includes only those unions that are primarily concerned with the organization of white-collar workers and whose memberships are predominantly white-collar. Other unions, especially those organized along industrial lines, have taken in a substantial number of white-collar workers, but the bulk of their organizing activity has been outside this field; such unions have not been included in the list.

—Labor Information Bulletin (U. S. Dept. of Labor) 11/51

Also Recommended . . .

SOLVING THE SECRETARIAL SHORTAGE. By Betsy A. Perry and Jean U. Rabenold. *Personnel Journal* (Swarthmore, Penna.), January, 1952. The authors outline the training program used by their company to develop inexperienced girls into top-notch secretarial and clerical workers. Giving the trainee an opportunity to "sit in" with a selected secretary for approximately one week, so that she can learn from observation and guided participation, is one feature of this program.

"OPERATION OFFICE." By William Hurd Hillier. *The Office* (270 Madison Avenue, New York 16, N. Y.), January, 1952. Modern methods and mechanisms are enabling our armed forces to cut down red tape in their office procedures. Application of the rules in Manual M-703-6 on Standardization of Forms, for example, made it possible, within 18 months, to reduce office forms by 72 per cent and thereby achieve increased efficiency and economy in office administration.

COMPANY'S OFFICE ECONOMY PROGRAM SAVES THE DAY. By Wells Norris. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), December, 1951. One company, realizing that its clerical and administrative costs were getting out of hand, solved its problems by instituting an office economy program which included a training course on work simplification for executives and supervisory staff members and a briefing on budget control. Work distribution, operational procedures, and reports and forms were analyzed carefully, and corrective measures taken. In one department, rearrangement of the work area plus a total of 40 major changes in procedures increased overall efficiency and eliminated four clerks.

IF YOU INSTALL A FIXTURE—CAN YOU TAKE IT WITH YOU? By Alvin M. Hattal. *Office Management and Equipment* (212 Fifth Avenue, New York 10, N. Y.), December, 1951. This article attempts to answer the legal and practical questions facing the office executive whose proposed improvements of rented space would involve structural changes. On the legal side, the tenant should bear in mind that he loses the right to remove a fixture if the removal would cause substantial damage to the real estate. From the practical point of view, he must decide whether a fixture is worth installing if its nature is such that it cannot be removed.

A RECORD RETENTION AND DESTRUCTION PROGRAM. By Eugene R. Harrison. *Cost and Management* (Society of Industrial and Cost Accountants of Canada, 66 King Street E., Hamilton, Ont.), January, 1952. What to do about inactive records is a perennial problem in most companies. In this article, the author describes the organizational plan adopted by one company to decide which records should be retained or destroyed and to determine what should be done about the former.

OFFICE IS ESSENTIAL TO PURCHASING. By C. F. Ogden. *The Office* (270 Madison Avenue, New York 16, N. Y.), January, 1952. The author points out why the keeping of accurate records and the maintenance of a simple but complete filing system are essential to the efficient operation of a purchasing department. Since office procedures are constantly being changed within this department, because of changing markets and government regulations, special attention must be given to training programs for both new and old employees.

STIMULATING PRODUCTIVITY: APPLYING TODAY'S TECHNIQUES TO TODAY'S PROBLEMS

IN THE PAST, management techniques for stimulating productivity emphasized productivity of the individual production worker. To solve present-day production problems, management must not only extend these techniques to include the non-production worker; it must give far more consideration to the productivity of the enterprise as a whole. This new emphasis will find expression in improved coordination between departments, in extension of the concept of management controls, and in the planned selection and training of managers.

In the large enterprise of today, many functions formerly performed, if at all, by the foreman (hiring, product inspection, etc.) must be performed by special auxiliary departments. In many instances, the size of these departments is such that their productivity is highly important to the enterprise. It follows that in such enterprises management emphasis on production worker productivity alone is out of date. However, it does not follow that managers have fully grasped the implications or even the presence of these changes. On the contrary, there are many enterprises in which management attention is focused on the trivia of worker productivity (talking on the job, personal time-out, etc.) when there are no clear channels of communication, no definition of organization, no table of delegation, and no system of reports for executive control. In fact, it is no exaggeration to state that in the larger enterprises, the limiting factor in productivity lies in the lack of adequate management controls.

In contrast to the bits and pieces of improvement to be derived through greater worker productivity, top management, by improving coordination among departments, can raise over-all productivity tremendously. One company fabricating metal parts was suffering serious losses because numerous parts were defective beyond repair. The productive organs consisted essentially of a large foundry and a large machine shop, each well equipped with modern machinery and manned by sincere, able people. Careful scrutiny disclosed that while each department was devoting much effort to improving its own operations, the basic scrap problem was interdepartmental. The bulk of the scrap, turned up at machining, was of foundry origin. Under the circumstances, no solution was possible unless, through coordination, the fabrication conditions at the foundry could be correlated with the troubles discovered during machining. In this instance, coordination was effected through a staff department which could, by investigation, discover relationships between cause and effect.

Such situations abound in industry. Production may lag because the equipment maintained by another department fails repeatedly. Yet such repeated failure could be designed out of existence were the facts known.

As the enterprise grows in size and in complexity, the need for coordination rises in geometric proportion. To achieve effective coordination today, management

must (1) determine the essential facts required to regulate the enterprise; (2) define units of measure for these facts; (3) design management instruments to measure the facts in terms of those units; (4) connect the instruments to the source of the facts; (5) summarize and present the facts in relation to standards of performance; (6) focus managerial attention on those situations in which performance fails to meet standard. The resulting collection of facts is sometimes called the "Executive Instrument Panel."

The idea of steering an enterprise by instruments is in its early stage of acceptance by managers. For the small enterprise, most essential facts are within the direct observation of the manager, and the need for an instrument panel is small. The larger the enterprise, the more acute the need for the instrument panel.

Productivity know-how will be of academic value only unless the managers on the job possess this know-how and have the determination to put it into practice. Thus far, men have learned to be managers through apprenticeship to practicing managers. The advantage of this system has been the experience with real situations which it offers. Its limitations have been revealed by the extent of empiricism

which prevails among practicing managers.

Within the last decade, a relatively new form of management training has arisen—the seminar. This is essentially a meeting of not more than 20 practicing managers, under skilled leadership. Through multi-lateral discussion, these practitioners not only learn techniques from one another; what is far more important, they develop a keen awareness of the existence of universal principles of management.

Another problem in the selection of able managers is the question of professionalism. The attributes of a profession are well known. They include the rendering of an essential public service, a codified body of special knowledge, selection of the candidates on the basis of fitness, cultural and special training, examinations as to proficiency, subscription to a code of ethics, and finally, licensing by the public. Analysis discloses that, as yet, management has moved only partly in the direction of professionalism. But if interchangeability of managers is to expand, there will have to be a change in the way managers are appointed. The present system of apprenticeship must, therefore, give way to professionalism.

—From an address by JOSEPH M. JURAN before the Industrial Relations Research Association, published in *Industrial Productivity* (available from the Industrial Relations Association, Park and University, Temp. 3, Room 5, Madison 5, Wisc. \$3.00).

Today's Use of Steel Is Greatest Engineering Advance of Century, Experts Say

DEVELOPMENTS in the production and use of steel represent the most significant engineering achievement of the past century, according to the majority opinion of editors of 32 leading trade journals and business publications, who were polled recently by Dr. John R. Dunning, Dean of Engineering at Columbia University.

Electric power production and application were a close second in the editors' choice.

The editors who chose steel pointed to such achievements as the Bessemer converter, the regenerative principle of steel-making, the construction of high-speed continuous mills for rolling steel strip and sheet, the skeleton frame-curtain wall

concept of building, the development of a host of alloys, and the improvements in the quality of steel.

Those editors who considered the use of electric power of foremost importance listed as major developments the invention of the electric dynamo, the harnessing of hydroelectric power, the introduction of the alternating power system, the construction of the central station steam power plant, and the invention of the incandescent lamp.

Other major developments listed by the editors included the following: the atomic bomb; assembly line production, beginning with railway freight cars; reinforced and pre-stressed concrete; the telephone; heavier-than-air craft; the vacuum tube; interchangeable parts (though the concept dates back to Eli Whitney, it was not until World War II that precision parts for most industries could be produced in quantity); the gage block; drilling and blasting by means of dynamite and the pneumatic rock drill; the flotation process; automatic central heating with oil and gas; air conditioning; the concrete highway; mechanized construction equipment; methods for disposal of human, animal, and industrial wastes; antibiotics; the internal combustion engine, the diesel engine, and the gas turbine engine; the high-speed electronic digital computer; the high-pressure still; the continuous-flow chemical plant; pulverized coal firing; geophysical prospecting and the general application of geological science to mining; the electrolytic separation of aluminum; the tin can for food packing; the construction of turbojet, turboprop, and rocket power plants in aircraft; the cracking process in petroleum.

"The events and developments selected by the editors," Dr. Dunning said, "cover almost every field of human activity. The scope of this list provides impressive proof that the past century of engineering which we are about to celebrate has resulted in the greatest material progress of any century in the history of the world."



"You can't get by with a thing
here, with that foreman!"

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DAMAGE CONTROL IN WARTIME: A STUDY OF EUROPEAN EXPERIENCE

WORLD WAR II air raid experience in protecting workers, plant, and equipment can, with minor modifications, be made to fit atomic warfare conditions, according to a recent Conference Board study on damage control in wartime. The A-Bomb does not void European experience, it was found, since it differs little from conventional bombs except as to power. Radiation is not the danger to most American cities that had been feared at first. The main effects are still blast, fire, ground shock, and splinters, and these can be protected against by the same means that European companies used to protect against high-explosive bombs.

British and Continental preparations to defend against air attack involved organization and training of personnel, strengthening of structures, installation of protective devices, and dispersal of structures and facilities.

Europeans attribute the success of their air raid protection programs to good organization. Company programs were directed by ARP (Air Raid Precaution) "controllers," who were responsible for the general administration and safety of the plant during an attack. Thorough training was found essential, since an air raid protection organization must be able to function without hesitation or confusion even following the loss of central direction. Adequate trained reserves were also found necessary, because absences or deaths among various groups impaired their effectiveness unless standby crews were available and ready to function.

One of the first steps European companies took was to strengthen the weak points of their existing buildings by installing transverse supports and additional framing, by thickening walls, and by strengthening roofs.

Blast walls were used extensively throughout Britain and on the Continent to control and dissipate blast from high-explosive bombs and to protect machinery from missiles and splinters.

Since fire was the greatest hazard, every conceivable means of providing adequate water for fire fighting was employed. Flying glass was another serious danger to personnel and equipment, and many factories bricked in the windows, or replaced the glass with asbestos, sheet metal, or other substances which would not shatter.

Blackout and camouflage, which sometimes required extensive installations, were widely employed, but their usefulness is much in question. It was found that they had an adverse effect upon morale and productivity, and their effectiveness is also in doubt because of rapid developments in radar.

The dispersal of manufacturing facilities, raw materials, and finished products was an important and successful means of limiting damage from enemy attack. Reorganizing production so as to make various units independent of each other lessened the risk of a plant being knocked out because, for example, its entire casting or lathe department was destroyed.

Damage control did not end with these pre-alarm measures. British and European industry found that steps could be taken during an attack to reduce damage greatly. Fires could be extinguished or controlled, leaking mains could be valved or blocked off, fallen wires could be rendered harmless, and threatened equipment could be protected so that ensuing collapse of weakened structures would not ruin it. Special emergency repair and demolition squads performed many of these functions during raids.

There is no simple formula that European experts can recommend for getting back into production following attack. Each raid during the last war pro-

duced its own set of circumstances. However, the rehabilitation generally broke down into two phases: deciding what was to be done; then doing it with a will.

WHAT KIND OF HELP TO SUBCONTRACTORS?

THE TYPICAL subcontractor expects and needs considerable assistance, especially at the beginning. The facilities, experience, and manpower available in both the prime and sub plants will determine the extent of the aid, but the record shows that these are usually the six main requirements:

1. *Blueprints* must be furnished in as full detail as possible. Many difficulties can be traced to the fact that the sub never clearly understood the specifications before he signed the contract. Also, whenever possible, the prime should try to go beyond simple drawings and specifications. For example, a leading manufacturer of heavy goods acquires actual production experience on every part and component he subcontracts—then shares the knowledge gained with his suppliers. Smaller primes can extend similar assistance by giving subs time studies and cost and layout data.

2. *Tooling up* can be a major headache to a subcontractor not familiar with the particular operation. The prime contractor can usually save the sub much unnecessary effort and expense by giving him detailed instructions on the type of equipment necessary, indicating detailed tool design and suggesting any new equipment which might improve the operation or save costs.

3. *Purchasing* is often a difficult problem for the smaller contractor. The minimum assistance here must consist of detailed materials specifications. Wherever possible, it's also worth while to explain

any special procurement angles and to note the most likely sources of supply, especially if the material is scarce or of somewhat unusual quality. Some large primes have gone so far as to do most of the purchasing centrally for both their own needs and those of their subcontractors. This not only offers a better assurance of quality and delivery, but the larger quantities involved frequently result in substantial cost savings and ability to get on mill order books directly.

4. *Inspection* is a common trouble spot in subcontractor relations. Meeting government specifications, which are often much stricter than civilian standards, is difficult for many subcontractors. The prime can save expense and delay by helping to organize and maintain adequate inspection for the sub's output. Particularly in the early stages of working with a new subcontractor, it is usually preferable to have the inspection take place at the sub's plant. By continuous inspection of in-process goods, the prime can help reduce the number of re-checks, and avoid unnecessary re-work.

5. *Financing* is not readily available to many small shops who want to get into defense work. Even if the prime contractor doesn't want to or can't afford to carry the sub financially, he can often help him in applying for additional credit with his local bank or with the RFC. The prime should not overlook the possibility of obtaining advance payments which, in turn, might enable him to extend more direct financial aid to his subs.

6. *Management know-how* is often lacking in smaller shops looking for sub-contracts. This isn't a serious problem if the potential sub is otherwise qualified to handle the work. Adequate instructions at the beginning, plus some supervision and operative assistance, will usually do the trick. Where necessary, this can be supplemented by occasional visits of

production experts, engineers, or trouble-shooters from the prime's office. Since "invasion" by the prime's personnel is often resented by the subcontractor, every representative of the prime who comes into contact with the sub should be instructed to stress assistance and avoid any appearance of "taking over."

—*Operations Report* (Research Institute of America, Inc., 292 Madison Avenue, New York 17, N. Y.), January 2, 1952.

Surge of Power In 1952

YOU WILL have more silent partners to aid your production workers in 1952.

The power expansion program should make available to the average production employee in manufacturing this year 16,420 kilowatt hours of electricity—33 per cent more than in 1948, 91 per cent more than in 1939.

Power supplies are expected to be tight for the next three years in the area between the Great Lakes and the Gulf because so much defense work will gravitate to that area. In the Northeast and in the extreme West, with the exception of the Northwest, the prospect is for an increased surplus of power.

A future—but not immediate—answer to power shortages may be atomic-generated power. Last December 21, more than 100 kw was generated by atomic energy and used to operate pumps, reactor equipment, and other electrical facilities at the National Reactor Testing Station, Arco, Idaho. Cost was no barrier in that test, but it will be the chief limiting factor in the generation of commercial power from atomic energy for some years to come.

—*Steel* 1/28/52

Purchasing Comes of Age

THE PURCHASING AGENT has become "a responsible member of management," declared William V. O'Brien, of the General Electric Company, in a recent address before the National Association of Purchasing Agents.

A recent G.E.-sponsored survey of buyers of electrical apparatus, conducted by a national management consulting organization, has resulted in new statistical evidence of the purchasing agent's importance in industrial buying, he pointed out.

In more than half the companies covered by the survey, purchasing is at the same level as engineering and sales—"clear evidence that procurement has moved out of the simple order-and-stores status of years gone by." That this new status is backed up by real purchasing authority is evidenced by the fact that 70 per cent of the companies surveyed have centralized purchasing authority in the purchasing department.

The survey also showed an increasing trend toward co-operation between engineering and purchasing. Though the engineering department still dominates selection of suppliers, particularly in the heavy equipment field, engineering and purchasing have about equal standing in the selection of suppliers where supplies and lighter equipment are involved.

IS THERE AN IDEAL FACTORY CHAIR?

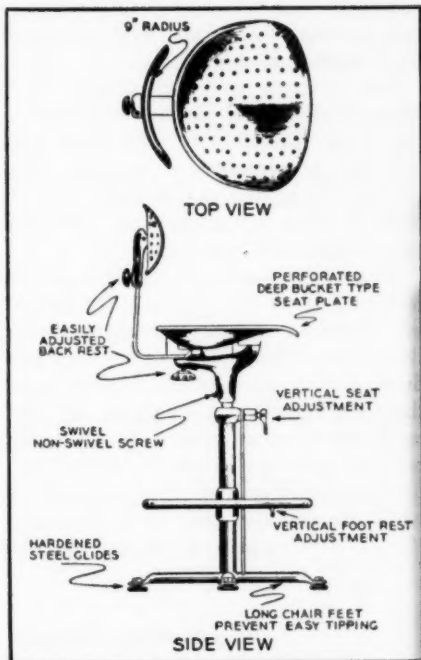
A FOUR-YEAR study of factory chairs points to four main considerations in the selection and use of a factory chair:

1. How *comfortable* is the chair?
2. How *safe* is it?
3. Is it easily *adjustable* (for multi-shift operation)?
4. What are the annual *maintenance* costs of the chair?

What is meant by chair comfort? In its broadest sense, chair comfort is the relief from fatigue a person gets from a chair when performing a given task. This comfort varies as you go from a flat seat to a bucket or saddle seat; as you go from a relatively flat back rest (12- to 14-inch radius) to one which grips the back (8- to 9-inch radius); as you go from no foot rest to chairs over 20 inches high to a fixed foot rest; and as you go from a fixed rest to a movable one.

There are a number of chairs that look safe but are found to be hazardous when in use. In this study, we found that the following points should be noted in order to minimize hazards: Rounded, blunt edges and corners are better than sharp, pointed edges. Simple mechanisms, generally, are safer than complex ones. Bucket or saddle seats are safer than flat, polished rounded seats. Welded joints are more stable than bolted connections. Foot rings of lesser diameter than the feet spread minimize tipping, especially on higher chairs. Semi-automatic locking devices are safer than the fully automatic or the manually controlled adjustments.

Many chairs that were supposed to be easily adjustable were far from this when tested on the job. Frequently, pins or other chair parts would become lost, permitting a chair to slant at one corner. Many chairs were found to be easily adjustable at first but were difficult to adjust



THE IDEAL FACTORY CHAIR

when certain parts became slightly rusted or swollen. Finally, adjustments were too restricted in most instances; an adjustable back rest in many cases meant merely a three-inch *vertical* adjustment—not a lateral adjustment, which is perhaps even more important than the vertical; in those few instances where a chair height adjustment was possible, the limit was frequently four inches, which restricted the use of the chair to a few jobs of the same type (e.g., bench jobs).

Practically every factory of over 200 operators has a "chair morgue." Indeed, out on the production floor nearly one-third of the chairs are less safe, less comfortable, or less adjustable than they were

when originally purchased. So acute has this chair maintenance problem become—indeed the entire factory chair problem—that grievances and even work stoppages have resulted from it.

Less dramatic and less tangible have been the direct and indirect costs of factory chair maintenance. The direct costs are the maintenance or machine shop charges for repairs, which today are seldom less than \$1 and in some cases may run as high as \$10 per repair.

Of greater significance, perhaps, are the indirect costs of chair repair. The following questions suggest the magnitude of these costs: How much time is lost in production while an operator tries to repair the chair himself? After giving up, how much time is consumed in discussing the problem with the foreman? How much time is spent in getting a chair replacement while the defective chair is in the repair

shop? How much space (rental) is used by the chair before, during, and after repairs? Thus it is probable that a poorly constructed chair would require more direct and indirect maintenance costs during its life than its original purchase price.

To summarize, then, the four important characteristics of an ideal factory chair are: (1) comfort; (2) safety; (3) adjustability; and (4) low maintenance costs. Any chair rating high in these characteristics will increase production (by reducing fatigue and frequent absence from work center); will reduce accidents from falls, scratches, and bruises; will save the time and patience of operators and foremen in making chair adjustments, particularly in multi-shift operations; and will frequently return the original difference in cost between it and an ordinary chair (50 per cent roughly) in lower maintenance costs.

—HAROLD R. NISSLEY. *Mill & Factory*, December, 1951, p. 125:2.

Productivity Changes Since Korea—A Survey

PRODUCTIVITY has not changed in the two periods from the start of hostilities in Korea to date, and from the beginning of 1951 to date, according to more than half the 137 manufacturing companies surveyed recently by the Conference Board.

Many of these companies indicate that because of incentives or machine speeds, employees have been working at a peak level for some time. In other instances, favorable factors, such as increased volume or labor cooperation, have been offset by deterrents, such as labor turnover, shifts to defense products, and material shortages.

One fourth of the cooperating companies, however, do report increases in output per man-hour in both periods. These increases were attributed mainly to new machines and equipment, new processes and methods, and union and labor force cooperation. Other factors reported by cooperating companies as having contributed to higher productivity were financial incentives, supervision, and management efforts.

The remaining companies are split almost evenly between those reporting lower productivity and those unable to estimate changes, owing to such factors as fluctuating product mix and the "tailor-made" nature of their work. Factors accounting for many of the reported productivity declines appear to be of a short-term nature, including an influx of inexperienced help, material restrictions, and starts and stops in production owing to design changes.

Productivity rises as high as 38 per cent and 31.4 per cent above the levels of June, 1950, and January, 1951, were reported, as were declines of as much as 10 per cent and 12 per cent. In most cases, however, the changes reported were moderate, or approximated 3 per cent a year.

Are Shortages Curbing Industrial Production?

TO DETERMINE if scarcity of materials and equipment was interfering with production, a survey covering all types and sizes of manufacturing companies was conducted recently. The survey revealed:

1. Fifty-three per cent of the firms replying have had to cut down on production because of material shortages.
2. Most of the respondents, 73 per cent, have difficulty in getting steel, copper, and aluminum. Shortages in a number of other materials—zinc, plastics, diamonds—have also worked havoc with production schedules.
3. Machine and equipment shortages have reduced output, too, according to 22 per cent of the companies canvassed. Items needed vary widely, from large lathes and presses to sewing machines.

—Mill & Factory

Also Recommended . . .

THREE KEYS TO HIGHER PRODUCTION. *Production Engineering and Management* (2842 West Grand Boulevard, Detroit 2, Mich.), February, 1952. This article points out how lower costs and higher production may be achieved by applying the principles of standardization, production simplification, and production scheduling. The author cites the example of one company which succeeded in reducing the number of individual parts required to manufacture a line of fixtures from 71 to 15.

INCREASE BUSINESS CAPACITY WITH CONTROL CHARTS. By Joseph Manuele. *American Machinist* (330 West 42 Street, New York 36, N. Y.), February 18, 1952. The author describes how simple, easy-to-understand quality-control charts can show why a particular machine is producing below its expected capacity and can locate the cause with the operator, the tool, or the operating mechanism. It has been proved that a 30-40 per cent increase in production can be obtained through the proper use of quality-control charts.

STANDARDIZATION . . . KEY TO MORE FOR LESS. By Benjamin Melnitsky. *Steel* (Penton Building, Cleveland 13, Ohio), Vol. 129, No. 13. Effective organization and operation of a company standards department can transform standardization from an academic term to an important money-saving, product-improving factor, according to the author. He describes the elements involved in the successful development and organization of such a department, emphasizing that to be truly effective the standardization program should have the support of top management and should reflect the participation of all departments.

AEC ASKS INDUSTRY: CAN YOU USE RADIOISOTOPES? *Business Week* (330 West 42 Street, New York 36, N. Y.), November 17, 1951. At least half of the 60 companies surveyed by the Stanford Research Institute indicated that they were willing to take a chance on the use of fission products—radioactive wastes left over from uranium production. These radioisotopes can be used in the sterilization of foods and pharmaceuticals, in industrial radiography, etc. The article points out, however, that it will probably be a long time before industry and the AEC can work together, since questions of cost, competition, distribution, etc., have yet to be answered.

TOOLING CAN BE CHEAPER. By F. E. Riley. *Steel* (Penton Building, Cleveland 13, Ohio), February 18, 1952. As demand rises for jigs and tools to help green labor produce acceptable finished parts, tooling costs increase tremendously. The author, a British equipment designer, describes several methods of reducing tooling costs. Suggestions are offered for incorporating readily available materials in tool designs, avoiding expensive machining operations, and utilizing low-skilled labor in tool-making.

UNIT LOADS. By John E. Hyler. *Mill and Factory* (205 East 42 Street, New York 17, N. Y.), January, 1952. The author, believing that time and money can be saved if products-to-be-handled are packed in unit loads, shows how this can be done with all kinds of products. The efficient use of steel strapping will often solve a particularly difficult unitizing problem, he points out.

Marketing Management

POPPA BECOMES A SHOPPER

AT ONE TIME it was commonly believed that "women do 85 per cent of the buying." This isn't true any more, and perhaps it never was. In any case, men today are buying more, they're buying a greater variety of merchandise, and they're buying it alone and in "couple" shopping trips.

The outstanding example is the super market, where from 25 to 30 per cent of the food volume is being bought by men. And in some of the non-food lines, the figure runs higher. What's more, not too many of these men carry shopping lists written by their wives. If anything, they make a higher percentage of impulse purchases than do women.

Why is the American male doing so much more shopping? How should this development affect current advertising and promotional concepts?

For one thing, in the younger age brackets, as many as 35 to 50 per cent of the women work, and their husbands are therefore sharing home obligations, including shopping, that were formerly handled almost exclusively by women. This means that these young husbands are being conditioned early to shopping; these early-formed habits tend to persist.

Furthermore, the perfectly human inclination to dodge work becomes an incentive to shop when the man himself does the work. More men, for example, have initiated and completed the purchase of an automatic dish washer than have women. And although women have certainly made great strides in accepting mechanical devices in the home, they still tend to bow to the superior judgment of the husband

where home mechanics are concerned. Appliances practically compel men to do more shopping.

Men are more liberal spenders than women; they buy more than they originally planned and they buy more quickly. Therefore, the more men coming into retail stores, the larger the percentage of total sales they account for and the faster the average sales check goes up.

Men like to shop with as little salesperson interference as possible. Consequently, as retailing rushes toward self-service and self-selection, men find the retail atmosphere more congenial and are more willing to shop.

Retailing is going more "gadgety." The super market is one example. The vending machine is another, and the trend unquestionably has just begun. Men love gadgets. They'll shop more readily under conditions of mechanized retailing.

Finally, the advertised brand with its standard value so simplifies shopping that men can do it competently. Unknown or unlabeled merchandise demands expert shopping. Known brands and reliable stores do not.

How does all this affect advertisers? Men can be induced to read advertising about food and countless other so-called feminine or household items—if the proper appeal is developed. Therefore, advertising brains must be turned toward the cultivation of a new market—a market consisting of men with a new set of serious problems revolving around cooperating in the management and work of the home.

—Grey Matter (Grey Advertising Agency, Inc., New York, N. Y.), Vol. 22, No. 20.

"I CAN GET IT FOR YOU WHOLESALE"

"IT'S GETTING so that anyone is just a damned fool to buy anything at retail," said James Shea, a big Dallas electric-appliance distributor. Shea, like many another U. S. appliance jobber, is finding that more and more of his business is coming from "discount houses" which offer everything from washing machines, refrigerators, and TV sets, down to fountain pens, at 20 per cent to 30 per cent below list price.

The discount house is the biggest current phenomenon of U. S. merchandising. It has department stores, small dealers, and other established merchants worried sick. To meet the "I can get it for you wholesale" competition, many established dealers have had to cut their own prices. One Chicago department store recently cut \$335 General Electric refrigerators to \$229, just \$4 above actual cost. Said an executive of a Chicago merchants' association: "I would estimate that 90 per cent of nationally branded major appliances are sold below the list price."

Discount houses have sprung up all over the U. S. because of (1) the big postwar increase in appliance stores which crowded the field and made things ripe for cut-throat competition; and (2) the U. S. Supreme Court's breach in fair-trade laws a year ago. Like after-hours saloons, discount houses often issue "membership cards" to their customers. Some discounters have little more than a small office and a catalogue; the customer orders from the catalogue, and the discounter calls a distributor and has the product delivered.

—Time, February 4, 1952, p. 69:2.

In effect, the discount houses get a free ride on national advertising of nationally distributed brands. Few of them do any advertising of their own, beyond direct mail or the printing of catalogues. Their customers usually get their preliminary information on comparative quality, model numbers, and prices from patient clerks at department stores.

Many of the "bargains" are not as good as they look; frequently they are discontinued models. Furthermore, many discounters tack on "extras" for delivery and provide none of the servicing and repair offered by established dealers. Most also sell for cash only. On the other hand, many of the fastest-growing discount houses, e.g., Los Angeles' big B. & T. Sales Co. (1951 volume: \$1,100,000) and Manhattan's Masters, Inc. (\$5,000,000), give the normal guarantees and servicing and offer the latest models. Masters, Inc., has even made a deal with the National City Bank by which customers can make time payments.

Many retailers angrily denounce manufacturers for failing to cut off supplies to the price slashers. Sunbeam Corp. (Shaver-master, Mixcaster) and Simmons Co. (mattresses) have done so; Sunbeam is being sued by Masters for refusing to supply it. But most big manufacturers and distributors look the other way because discount houses move big volumes of goods rapidly. Said a big Westinghouse Electric jobber: "Some of these stores are necessary for our business because they keep us going in slack times."

ALMOST TWICE AS MANY PEOPLE think that advertising, in the long run, makes things cost more than think it reduces the cost, according to a nationwide Psychological Barometer survey.

—Printers' Ink 12/14/51

Advertising Forecast: 1952

THE COMPOSITE industrial advertiser in 1952 will spend 2.16 per cent of expected sales for advertising, according to *Industrial Marketing's* fifth annual survey of advertising and sales promotion plans, participated in by more than 250 industrial ad managers. This compares with 2.04 per cent reported by 302 advertisers in the 1949 survey, and 1.90 per cent reported in the 1946 study.

A majority of the companies reporting (54 per cent) predicted increased sales during the coming year, with an average expected increase of 16.7 per cent. Almost 38 per cent predicted "no change," and the remainder forecast an average decrease in sales of 13 per cent.

Seventy-two per cent of the ad managers said that budgets will be larger—with the average budget up 16.9 per cent. Another 24 per cent said budgets will be unchanged, and only 4 per cent said that they will have to work with reduced budgets.

When asked how the increase would be spent, 39 per cent cited higher production and space costs, and 32.9 per cent mentioned marketing research. More than one-fourth (27 per cent) of the ad managers said that they plan to augment their sales aids to distributors, jobbers, and dealers, while 13.8 per cent will devote more money and effort to trade shows, displays, and exhibits.

There will be relatively few significant changes in copy themes or approaches during 1952, according to the respondents. More than three-quarters of the ad managers reported that the 1951 copy approach will be continued with a few modifications.

—*Advertising Age* 1/28/52

How to Stop Inflation

JUST as many labor contracts are tied to the Bureau of Labor Statistics index of consumers' prices, so billions of dollars worth of business contracts are tied to the BLS wholesale price index. Frequently, the delivered prices of new ships, houses, engines, etc., depend upon the fluctuations of this index from the time they were ordered.

Recently this important index underwent a big change. The Labor Department brought it up to date by including scores of products (television sets, antibiotic drugs, plastic materials, Orlon, frozen foods, etc.) which scarcely existed when the old index was drawn up in 1932. Listing twice as many commodities (a total of 1,845), it will provide a more accurate cross section of present-day markets. One change, however, stirred up criticism: 1947-49 average prices were used as the index base of 100, instead of the old base of 1926 prices. Result: when the old index ended, it stood at 174.8, or 74.8 per cent above "normal," while the new one began at 111.7, only 11.7 per cent higher. Cried critics: a handy device for the Administration to hide the effects of inflation in a presidential election year.

—*Time* 3/10/52

AMA NATIONAL PACKAGING CONFERENCE AND EXPOSITION

The Packaging Conference and Exposition of the American Management Association will be held on Tuesday-Friday, April 1-4, 1952, at The Auditorium, Atlantic City, New Jersey.

TEACHING INSIDE TECHNICAL MEN TO SELL

IS IT POSSIBLE TO INCREASE your sales force substantially without hiring any new men? We believe the answer is yes—provided you train some of your inside staff to become part-time field salesmen. By doing this at Bausch & Lomb Optical Co., we have increased our sales power by 50 per cent.

To sell salesmanship to our 170 branch laboratory managers, who, for the most part, have had no selling background, we stressed the prestige of the selling profession and the fact that in the next step up in advancement a practical knowledge of selling would be required. We then set up a field sales training program to give them salesmanship in a form they would like and accept. We combined this training with a refresher course for our regular salesmen to increase their technical knowledge of Bausch & Lomb products and give them practice in methods of selling them.

Our field re-training conferences, therefore, devote one day to knowledge of products and the second day to practice selling. Conferences are held regularly at six-month intervals, in each of the 16 district offices. They are attended by the district manager, branch managers, and all salesmen.

A successful sales training conference of this type, we believe, must follow two important rules: Everyone, regardless of how much of a shrinking violet he is, must be drawn into the act naturally and painlessly. The second rule—which must be rigidly followed by everyone, including the leader—is to keep all criticism on a constructive level. This is the trickiest part of the procedure—but the most necessary.

We open the conferences with the discussion of technical knowledge of products. We use the round-table method

and assemble the group in a semicircle with key men at the center of the discussion panel.

The district manager suggests the product which could stand review, and we lead off by asking the group: "What's the most frequent objection you encounter on this item?" After the answers have been chalked up on the blackboard, we start down the list. The problem is tossed directly to the group: "What's the best answer to the first objection?" Through the ensuing general discussion, much of the necessary background information comes out, and the group has the added benefit of the more seasoned salesmen's approach to the selling problem. Branch managers are able, on the other hand, to help interpret technical information for the salesmen. Though all this technical information is included in the sales manuals, a good panel discussion brings it to life.

Toward the close of the first day we start to set the stage for the practice selling sessions scheduled for the next day. The district manager puts into a hat the names of eight top salesmen in his district. The names are then drawn in pairs to make four teams, each comprised of a salesman and a prospect. Each team will put on a 10-minute sales talk, complete with demonstration, the following day. The prospect must be a real person, someone on whom the salesman plans to call within the next two weeks. This gives the men a chance to put on a "dress rehearsal" sale and get other salesmen's suggestions on ways to improve their ability to sell.

When practice selling sessions start, it is frequently a signal for the listeners to settle back in their chairs with a comfortable let-George-do-it lassitude. To forestall this, we announce that someone from the group will be called upon to con-

duct the 10-minute coaching period which follows each sales talk. Everyone is given a coaching sheet on which to evaluate the sales presentation. The sheets have spaces for checking the salesman's use of various sales devices, such as appealing to buying motives, use of assurance phrases ("I'm glad you brought that up,") test questions

("Have I made that clear?") and others. A column at the right is provided for suggestions.

After one year we have seen a considerable change for the better in each district, and this has contributed to our improved sales picture.

—BERNARD T. PARKER (Director of Sales Training, Bausch & Lomb Optical Co.), as told to Margaret Ritchie. *Sales Management*, Vol. 67, No. 5.

TEAMWORK IN SHORT-TERM SALES FORECASTING

THE NEED FOR reliable short-term sales forecasting related to production and production control is emphasized by the questions many executives are asking themselves today: How much should be produced in the second quarter of '52? What should the operating inventory be in terms of a weekly or monthly supply?

Short-term forecasting itemizes operating inventory and shipping requirements by the week or month, requiring a wholly separate technique from that used in production scheduling. The short-term sales forecast determines production and coordinates the use of capital and labor and the procurement of raw material with estimated shipping and inventory requirements.

The committee technique is one method of developing an effective and reliable short-term forecast. This draws on the experience and judgment of various departments and eliminates forecasting on the basis of general economic outlook coupled with executive hunch. The committee should include responsible representation from the production control, sales (and advertising), market research, and finance departments. The committee members cooperate as follows in developing the forecast:

The production control manager should

appraise all production problems related to the forecast and provide the committee with information on difficulties that might arise in meeting estimated requirements.

Since sales forecasting, production planning, and product pricing are interrelated, the finance department, usually the controller, should be represented. The representation of both the finance and production departments on the committee provides for an interchange of information which speeds up the official release of product prices and acquaints the committee with anticipated prices. Without quick appraisal of product pricing and the evaluation of product price in a competitive market, any sales forecast would be unrealistic.

Sales representation on the committee is needed so that the timing of planned selling (special promotions, etc.) can be coordinated with production schedules. Such coordination makes it possible to build up stocks without costly overtime or interference with established schedules. The sales manager can also report on unusual developments in the market, on the basis of information he may receive from salesmen or customers.

The market research manager may frequently curb the optimism of the sales representative and also prevent over-

emphasis on production problems. He can report on consumer acceptance of the company's products and those of competitors, supply reasons for poor distribution, and estimate the percentage drop in volume over a given period.

Since a high level of accuracy is imperative in the short-term sales forecast, the committee should set up a system of checks to evaluate its estimates. Individual committee members should be assigned responsibility for estimates on certain items, and a record should be kept of their performance. If the estimates of one member prove consistently pessimistic, his

forecasts can, in the future, be adjusted accordingly. If the estimates of a member prove completely unreliable he should be replaced by someone who can contribute. If a member's estimates are particularly accurate, special attention should be paid to the basis of his forecasting.

A reliable short-term sales forecast developed by the committee method should result in more competitive pricing of products, stabilized production, improved capital utilization, improved sales-force and customer relations, avoidance of inventory obsolescence, and maximum utilization of machines and personnel.

—LYMAN J. HOUFEK, *Printers' Ink*, February 15, 1952, p. 80:3.

Pitfalls in Sales Contests

IN THESE DAYS of disappointing sales, the trade magazines are full of stories telling how sales contests providing for cash awards or trips to Cuba sent volume zooming to over quota. Unfortunately, we seldom see stories about the contests that failed. A survey of successful and unsuccessful contests points up these main pitfalls and suggests ways of avoiding them:

1. *Contests can't make up for an inadequate compensation plan or a fundamental weakness in sales technique.* Some firms try one contest after another, achieving sales volume that is only what the company would be getting if it had a proper sales and compensation plan.
2. *Give all salesmen an equal chance to win.* The type of contest that lets the same salesmen walk away with the prizes time after time tends to make the majority of salesmen feel like perpetual also-rans, with the result that they eventually lose all interest.
3. *Sound out your sales supervisors on preferred awards.* Some companies find that cash is more effective than merchandise. After World War II, however, hard-to-get appliances made better prizes than cash. The only way to find out is to poll your supervisors, bearing in mind the general standard of living of your men.
4. *Contests designed for distributor and dealer salesmen require careful advance planning.* These points should be checked before a contest is undertaken: Are any of the distributor or dealer salesmen already competing on other items in their line? How are the majority of the salesmen regularly paid—salary, commission, or salary plus? (The choice between cash and merchandise prizes may be affected by the answer.) Will cash incentives stir up discontent among distributors over the discount they're getting?
5. *How much advertising could you buy with the money you plan to spend for the contest?* Could the money be spent for some other form of sales promotion, such as new displays, dealer aids, or consumer premiums in a limited area? Too often companies miss opportunities by assuming that sales contests are the single best way to increase sales.

—*Distribution Report* (Research Institute of America, Inc., 292 Madison Avenue, New York 17, N. Y.), 3/18/52

Errors in Brand Identification Common

THOUGH THE BUYING PUBLIC has become more brand conscious in past years, consumers still accept "false" brands for real brand names, according to a recent survey made by John Falkner Arndt & Co.

In 24 out of the 39 categories covered by the survey, "false" brand names were mentioned. For example, the consumer would name "sterling" as a brand name for silverware or "wilton" as a brand name for rugs. This type of false recognition was highest for living room furniture, drapery and upholstery fabrics, and dining room furniture.

Most of the 39 department-store merchandise items surveyed showed that brand-name leaders far from dominated their respective fields.

—Advertising Age 11/12/51

Also Recommended • • •

CONSUMER-FINANCED TESTING AND RATING AGENCIES. By Eugene R. Beem. *The Journal of Marketing* (1525 East 53 Street, Chicago 15, Ill.), January, 1952. In this evaluation of the effectiveness of Consumers Union and Consumers' Research in promoting intelligent consumption, the author points to the remarkable growth of these agencies in the post-World War II period and concludes that, despite some basic limitations, they are having an important effect upon the U. S. economy. In the period from 1945 to 1951, the circulation of Consumers Union reports had grown from 55,000 to 500,000 and that of the Consumers' Research bulletins from 50,000 to over 100,000.

A 6-POINT GUIDE FOR BETTER SALES PRESENTATIONS. By William J. Tobin. *Printers' Ink* (205 East 42 Street, New York 17, N. Y.), January 11, 1952. The six-point formula presented in this article for use by the sales manager in salesmen's training programs stresses the need for maintaining continuity of thought, customer reaction, and information flow in the sales presentation. The author emphasizes the point that the salesman must ask for the order, citing a recent study which showed that salesmen asking for an order averaged 300 per cent greater sales than those who did not.

WHY CUSTOMERS QUIT AND HOW TO BRING THEM BACK. By Gordon K. Morrison. *The Reporter* (53 Hilton Avenue, Garden City, N. Y.), January, 1952. The average business is losing customers at the rate of 15 per cent a year, largely because the customers feel they are being neglected, the author believes. He cites figures to show the impact of this loss and suggests that a mail campaign to bring back customers will be successful if the letters are properly planned, skillfully worded, and carefully scheduled for mailing.

NEGOTIATING YOUR EXPORT DISTRIBUTOR AGREEMENTS. By Derek Brooks. *Exporters' Digest* (170 Broadway, New York 38, N. Y.), January, 1952. The author stresses the importance of carefully drawn contracts between the American exporter and his foreign distributors, not only to establish a measure of legal protection against the unexpected, but also as a means of building up sales. The article includes a practical checklist of fundamentals to be considered in negotiating foreign distributor contracts. The success of the contract depends on the mutual acceptance of their responsibilities by the exporter and his distributor.

DISTRIBUTION COSTS: REALLY GOING DOWN? *Business Week* (330 West 42 Street, New York 36, N. Y.), January 12, 1952. This article summarizes conflicting opinions on the reasons for the decline in distribution costs in relation to production costs since 1938. According to Professor Paul Converse, this decline may be attributed chiefly to improved methods in transportation and handling methods; other economists hold that the improved distribution record is due largely to increased volume, not to any basic improvement in marketing efficiency.

PLANNING FOR 1960 MARKETS. *The Glass Packer* (55 West 42 Street, New York 17, N. Y.), March, 1952. This article presents some advance data from the forthcoming report on the decennial census of population which will enable the marketing executive to plan ahead. The current bumper baby crop, larger families, and the growing proportion of elderly people are among the important factors to consider. A valuable suggestion is that sales plans should be slanted away from New England and the Middle Atlantic states, toward the Pacific and the South Atlantic area.

THE FACTS OF LIFO

INVENTORY accounting policies have grown extremely complex in recent years. At the same time, these policies have assumed such importance in relation to profits that what formerly was a routine bookkeeping matter is now a top management problem.

Though there are several accepted methods of inventory valuation, each one with variations, the greatest contrast is between FIFO (first in, first out) and LIFO (last in, first out).

FIFO, historically the most common, assumes that inventory goods are sold in their order of acquisition. If the market price of the inventory on hand at year end is lower than this ending inventory cost, the valuation of these goods is reduced to market, and this "write-down" is deducted from income as an additional cost of goods sold. The most important effect of this method of inventory valuation is that in periods of rising prices it will result in larger profits because a higher value will be placed on ending inventory than on the goods on hand at the beginning of the year, and the difference is added to income—"paper profits."

LIFO reverses the FIFO procedure in that inventory stocks are assumed to be used up by sales in the inverse order of acquisition. Thus the major portion of inventory stocks may be left untouched for accounting purposes, and valued at the acquisition cost of some prior period. As compared with FIFO, LIFO will ordinarily result in a smaller profit when prices are rising and a larger profit when prices are falling.

Since the end of the war, in a period of generally rising prices, the increasing

acceptance of LIFO is demonstrated by the fact that out of 525 companies surveyed annually by the American Institute of Accountants, there were 79 on LIFO, at least in part, in 1946, and 136 in 1950.

Why the switch to LIFO? The majority of companies that have adopted LIFO will quite honestly admit that the switch was made with the purpose of saving income-tax dollars. However, in order to save tax dollars, a business must report lower profits.

So the question arises, "How does this make sense? We report lower earnings and we pay lower taxes on those earnings, but still the net profits we report to our shareholders are considerably lower than they would have been had we not elected LIFO."

A major result of the election of LIFO during a period of rising prices is the fact that cash is conserved, through both lower income-tax payments and lower dividends (from lower profits). Thus the company electing LIFO has not lost, despite the fact that it has reported lower profits. However, to stockholders in highly competitive industries, LIFO is no acceptable excuse for lagging behind competition in reported net profits.

The real reason for shifting to LIFO—i.e., the old accounting idea that income and expenses for a given period should be matched—has been lost behind the tax argument. Most companies in the very nature of their operation must keep sizable inventory on hand. If, while they have some inventory on hand, the price of this particular inventory to them goes up, they normally adjust their selling prices upward. On the other hand, with

competition what it is, if the price to them goes down, they must often reduce their selling price. Hence, the cost to them of the items they are selling is pretty closely tied to their replacement cost. This, in a nutshell, should be the primary reason for putting inventories on a LIFO basis.

Assuming a corporation can afford to reduce stated profits, why should it not make haste to adopt LIFO in a long-term inflationary period of rising prices and rising taxes? The prime answer is the tax problem in a period of falling prices.

When the price falls below the levels in effect when LIFO was elected, LIFO can have catastrophic results; taxes must be paid on high profits, and inventory valuations would remain above replacement cost. Unlike FIFO, LIFO does not allow the lower of cost or market for tax purposes.

And a major source of unhappiness to some business men who have rushed into LIFO is the realization that it is not so easy to go back to FIFO. To go back to FIFO after using LIFO, permission of the Commissioner of Internal Revenue must be obtained, and to get this permission

a good business reason must be given. Sadly enough, income-tax saving is not a good business reason in the eyes of the Treasury Department.

The adoption of LIFO is therefore a gamble. It might pay off very well. On the other hand, it might end up costing money.

Apart from long-term tax considerations, certain conditions must be present to make the shift to LIFO worth while: First, the industry should be one in which the spread between cost of goods or materials purchased and sales price is fairly constant during upward and downward price swings. Second, the investment in inventory should be large relative to other assets to accomplish anything.

If these two conditions exist and if there is a general desire to relate reported income to the expenses applicable to that income, there is valid reason for adoption of LIFO.

At the present time most public accountants are merely pointing out that LIFO is available and are making no recommendations because of the bogey of future tax savings or losses. Management must make up its own mind.

—*Fortune*, December, 1951, p. 77:3.

States Levy Taxes, Too

STATE TAX collections this year will reach \$8,900,000,000, according to figures compiled by Commerce Clearing House. This is 12.6 per cent higher than the record total of 1950 and more than double the state collections in 1945.

Every state except Nebraska reported higher revenues, with California—which took \$958,000,000—leading the list. New York was second with \$914,000,000.

On a per capita basis, however, citizens of these states fared better than those in Louisiana and Washington, where the average state levy on individuals was \$97.66 and \$95.03. The per capita payments in California and New York were \$90.50 and \$61.65.

New Jersey held its position as the state with the lowest per capita levy—\$34.74.

—*Nation's Business* 11/51

OF THE 9,162 American business concerns that failed in 1950 with loss to creditors, only 348 or 3.8 per cent of these failures were attributable to fraud.

—*Dun's Review* 9/51

ESTIMATING FUTURE LABOR COSTS

PAYROLL and other labor costs are a vital factor in forecasting revenue and expense. If management were to devote as much attention to estimating future labor cost as it does to the materials outlook and the market for its products, many companies' forecasts of future revenue and expense would be more accurate. In addition to making the over-all forecast and budget more useful, such research can help protect the company from uneconomic demands, even in the face of government intervention.

While many firms strive to predict their wage bill for the coming year, there is one error which upsets most computations. This error consists of projecting basic wage rates instead of average hourly earnings in order to arrive at an estimate of payroll. Such a practice can be very misleading. During World War II, for example, basic wage rates went up 20 per cent, but average hourly earnings rose 52.7 per cent.

Another reason for projecting hourly earnings is that they include overtime and premium payments, while basic wage rates do not. This distinction should also be remembered in connection with Wage Stabilization Board increases, which are granted in terms of base rates and do not consider total take-home pay.

While statistical projections, if properly based, have some value in forecasting wage trends, a far better way to arrive at future costs of labor is to find out, months ahead, what the union will demand at the renewal or reopening of its contract. The following steps should be taken in advance of negotiations:

First, determine how the company stands, wage-wise, in relation to other companies in the plant community. The current wages should be charted against a cross section of firms, including the

leaders in the community as well as those which lag behind. "Common denominator" jobs, such as laborer, skilled mechanic, bench assembly operator, powerhouse employee, maintenance worker, etc., should be used in the comparison, based on job descriptions, so that comparisons will be accurate. Average weekly earnings and average increases over the past few years should also be charted.

The second step is to determine the trend in union wage demands. The firm's contract should be checked against contracts now in force between the same union and other companies. Tabs should also be kept on new agreements as they are entered into. (A good cross section calls for analysis of 100-200 agreements.) If the company's present terms are out of line with what the union is demanding and receiving elsewhere, such an investigation will sound a warning in sufficient time. For example, if the trend is toward three weeks' vacation after 10 years' service, and the company has high seniority in its plants—say 30 per cent of the employees have 10 years' service or longer—it is vulnerable to such a demand when bargaining time comes around. In this connection, it is important to remember that a contract change made with a company 1,000 miles away may be the precedent for all other firms bargaining with the same union.

The third step is to ascertain how the union stands in regard to future gains for its members. As a rule, the goals sought by particular unions are broadcast and discussed many times over before they become specific, bargainable issues. They show up in the union's magazine and in the public statements of union leaders. Union members employed in the company's own plant are also likely to discuss particular objectives before they

reach the issue stage. Foremen hear such conversations and are exposed in other ways to what employees are thinking—which proves the value of upward communication from the supervisors in regard to union trends.

Even more important is what goes on behind the scenes, inside the union. Published information tells only part of the story—the part the union leaders approve for publication. A great deal more lies hidden beneath the surface, where only those who have the specialized experience, the time, and the contacts can hope to penetrate. Few companies are equipped to accomplish this for themselves, though forewarnings at this stage might make a world of difference in their labor strategy for the future.

Management needs the same type of information for reasoning with stabiliza-

—AUSTIN M. FISHER (Fisher & Rudge, New York, N. Y.).

tion and other government agencies. Under present conditions and controls, there is always a possibility that the government may step in, via fact-finding boards, and make its own analysis of what the company, or the industry as a whole, can afford to pay. This should be kept in mind when forecasting payroll trends. The company should know all about any decisions in the area already made by the Wage Stabilization Board, as well as any pertinent or comparable rulings made by the War Labor Board during World War II. The same warning applies to possible Federal conciliation and mediation. During the last war, too many companies tried to prepare their cases on the way to Washington—only to be confronted with detailed studies and analyses carefully prepared by union economists.

ELECTRONIC COMPUTERS ESTABLISH NEW FRONTIERS

NEW high-speed calculating machines promise a new era in the development, storage, handling, and use of information. Besides taking care of payroll details and handling inventory records automatically, these computers can process accounting information, together with a wide variety of economic, meteorological, political, sociological, and other data to provide unprecedented certainty of prediction in budgeting, forecasting, planning, and control.

High-speed digital computers can be used by such concerns as insurance companies where the handling of information is the bulk of the work. Since magnetic tape is the common medium for storing information for use in these machines, one of the greatest benefits to the insurance industry is the possibility of maintaining files of information which

will be more accessible and occupy less space than present ones. The Census Bureau could make use of the machines in computing information from the 20 carloads of paper forms received as a result of the last census and in analyzing the 600,000 custom declarations received each month. One market analysis company is purchasing such a computer, since speed in processing data is very important in this type of business, where substantial changes might occur very quickly. There is little doubt that large companies, regardless of the business with which they are concerned, have many accounting tasks which could be done more efficiently with a high-speed digital computer.

The economic feasibility of these new high-speed digital machines is practically assured by the vast saving of manpower they make possible. It has been estimated

that the cost of operating such a computer will be approximately 20 dollars per hour. A machine like this, however, could equal in work done more than 100 human computers with desk machines. This means that the relative cost of computing would be not more than 20 cents per man hour, provided the machines were operated efficiently.

Automatic instruction is one feature of these machines—that is, they can instruct themselves on how to proceed with the computation of a problem. This has led many people to believe that a machine has been developed that can think. If thinking means coming up with new ideas and being original and imaginative, then these new machines cannot think. A calculator can do no more than the mathematician who made the functional design, provided the latter had sufficient time and took sufficient care. The machine is faster and less subject to error, and that is all. The fact remains, therefore, that the machines still need man's help. A numerical method for solving the problem has to be devised by a mathe-

matician or other scientist before the machine can solve it.

It is expected that a machine under construction at the Institute for Numerical Analysis will be able to multiply two 10-digit numbers in less than 400 microseconds and add two such numbers in 64 microseconds. This means that 2,500 multiplications (or 6,000 additions) can take place while you say the word "multiplication." It is this great speed that makes the machine important, since problems once considered insoluble because of the time required may now be solved in days or weeks.

The machine at the Institute will be used primarily to solve mathematical problems. However, a machine like this one has many possible applications in the accounting field. Activities it could handle include sorting and tabulating, logical substitution operations, and library-type operations. Several commercial companies, as well as agencies of the U. S. government, have recognized the value of these machines and are taking steps to acquire them.

—H. D. and V. R. HUSKEY. *The Journal of Accountancy*, January, 1952, p. 69:7.

Gettysburg Address: 1952 Version

ONE SCORE AND NINETEEN years ago our fathers brought forth upon this nation a new tax, conceived in desperation and dedicated to the proposition that all men are fair game. Now we are engaged in a great mass of calculations, testing whether this taxpayer or any taxpayer so confused and so impoverished can long endure.

We are met on Form 1040. We have come to dedicate a large portion of our income to a final resting place with those men who here spend their lives that they may spend our money. It is altogether anguish and torture that we do this. But in a larger sense, we cannot evade, we cannot cheat, we cannot underestimate this tax. The collectors, clever and sly, who computed here, have gone far beyond our poor power to add and subtract.

Our creditors will little note nor long remember what we pay here, but the Bureau of Internal Revenue can never forget what we report here.

It is not for us, the taxpayers, to question the tax which the government has thus far so nobly spent. It is rather for us to be here dedicated to the great task remaining before us—that from these vanishing dollars we take increased devotion to the few remaining; that we here highly resolve that next year will not find us in a higher income bracket; that this taxpayer, underpaid, shall figure out more deductions; and that this tax of the people, by the Congress, for the government, shall not cause solvency to perish.

—Author Unknown

THE NEED FOR MEASURING CORPORATE REAL EARNINGS

WE ALL RECOGNIZE that in a period of inflation, our personal cost of living goes up. It is obvious that the cost of refilling inventories also goes up, that the cost of replacing worn equipment goes up, and that the cost of expanding capacity goes up. Yet accounting procedures generally fail to take adequate account of increases in the corporate cost of living.

Orthodox accounting vigilantly keeps price level revaluations from getting into the profit and loss account by ignoring them, or by treating them as surplus adjustments. But when revaluations find their way into the accounts indirectly by the process of turnover of assets during inflation, they do get into the earnings account. These inflation profits that result from such revaluations are treated as ordinary income, and cannot, in the books, be distinguished from regular income during the life of the assets, and before the time of replacement at higher levels. For example, for the years 1946 through 1950, the average reported return on investment for the five leading electrical manufacturers was 12.5 per cent, whereas for the same period, the real economic return on real investment was 4 per cent. It is clear that in an inflationary period, conventional accounting analysis becomes an unreliable tool for top management's vital decisions.

The following are among the more important practical applications of estimates of a company's real economic earnings:

1. *Dividend Policy.* Many companies in such a period pay out dividends that are not earned in a real economic sense. Estimates of real earnings can prevent this kind of impairment of the company's real assets.

2. *Capital Budgeting.* A knowledge of real earnings will affect plough-back de-

cisions, estimates of the profitability of future investment, and choice of sources of outside capital.

3. *Pricing Policies.* Insofar as costs and profits and return on investment have a bearing on setting prices, real costs and real investment should be used.

4. *Divisional Operating Results.* Divisional profits will be more realistic in terms of contributions to the company's long-run welfare if they are measured in terms of real economic earnings rather than conventional accounting.

5. *Negotiations with Governmental Agencies.* In the arena of negotiation, concern about the reasonableness of a corporation's earnings is common. Frequently it is real earnings rather than reported earnings that are relevant to the basic economic purpose of government control.

It is obvious that measurement of a company's real earnings has great practical usefulness for management. How can it be done? It cannot be done as simply as for personal income, by merely dividing reported profits by a single index number. Business income is more complex than personal income. To determine real business earnings, it is necessary to measure the change from the beginning of the year to the end of the year in the real value of the company's assets—that is, the physical capacity for future production. A corporation does not have any real economic income until it has maintained its capital in a real goods sense; it is not enough merely to maintain capital in the accounting sense of book values of past dollars.

This approach is not very different from accounting measures of income, which are essentially estimates of the yearly change in the company's net investment measured in scrambled dollars. The only difference is that, in measuring

real income, it is the real change rather than the dollar change in the company's net investment during the year that is used. By means of specialized indexes, the individual assets can be restated in terms of dollars of constant purchasing power. In this way, one can, first, deflate to constant dollars the year-ending balance sheet for each year over a period of years, say, 1935 to 1951; second, determine the

change in total net investments from the beginning to the end of each year; third, add dividends and allow for capital transactions after stating them in constant dollars. The resulting real income can be divided by real net investment during the year to give the company's real economic rate of return. This general method has to be worked out differently in detail for each company, of course.

—From an address by JOEL DEAN before the Annual Convention of the Controllers' Institute, October 2, 1951.

Government Pays One-Sixth of Every Income Dollar

THE EXTENT to which government—Federal, state, and local combined—has grown in importance as a source of personal income is indicated by figures compiled by the U. S. Department of Commerce.

These figures, covering the trend and origin of state and regional income payments to individuals over the last two decades, show that aggregate government payments to individuals came to a record \$35.2 billions in 1950. This was the equivalent of one-sixth of every dollar of income received by the American people from all sources, a proportion that in the past was topped only during World War II, when an abnormally high level of government personal income payments was to be expected.

Government income payments to individuals consist primarily of public civilian payrolls, pay to the armed forces (including family allowances, and various benefit payments, such as those to veterans), public assistance, and other direct relief. They include Federal, state, and locally-owned government business enterprises.

—*Insurance Advocate* 11/17/51

How Long? Oh! How Long!

LOSSES from bank closings during the 12-year period between 1921-33 totaled about two billion dollars. This was regarded as a national catastrophe.

However, between 1941 and 1950, a nine-year period, people who held life insurance policies, savings accounts, and government bonds lost 116 billion dollars because of so-called inflation—almost 60 times the bank losses of the twenties and early thirties.

The dollar buys less today than at any time in the last 150 years, according to the Conference Board. With 1938 as the base year, the dollar bought about \$2.75 worth of consumer goods in 1850 and less than 54 cents today. If the dollar was worth 100 cents in 1850, it is worth about 20 cents today.

—*The Employment Counselor* 2/52

INDIVIDUALS in the lower-income brackets have gained in cash income in recent years several times as much, percentagewise, as those in upper brackets, according to a Twentieth Century Fund report. From 1941 to 1946, for instance, the lowest fifth had a 68 per cent increase in money income, before taxes, while the top fifth gained 20 per cent.

Protecting Installment Credit

THE INSTALLMENT CREDIT SYSTEM, along with mass production, has been credited with bringing automobiles, household appliances, and many other things within the reach of people to whom they would otherwise be unavailable.

But, as careful observers frequently point out, installment buying can also raise a hazard. Any family which has borrowed against future income can be hard hit if that income is cut off because of death or disability. It is becoming more and more common to seek protection against this threat by purchasing consumer credit life insurance. More than \$3,000,000,000 of such insurance was written in 1950, and the figures for 1951 are expected to be even higher.

Such insurance usually takes one of two forms. Most common is level-term insurance in which the protection at all times equals the original loan. If the insured dies before scheduled payments are completed, the balance owed is paid, and the heirs receive a check covering the payments already made.

Also available are diminishing-term insurance, in which the amount payable always equals the balance due, and accident and health insurance which provides that, if the insured is disabled by illness or accident, his payments will be made for him during the period of disability.

—*Nation's Business* 2/52

Also Recommended • • •

FINANCING AND FACTORING ACCOUNTS RECEIVABLE. By Theodore H. Silbert. *Harvard Business Review* (Gallatin House, Soldiers Field, Boston 63, Mass.), January-February, 1952. Frequently a rapidly expanding business has trouble meeting its growing weekly payroll and the bills of an ever-increasing number of creditors because its assets are tied up in accounts receivable. The author believes that the business can continue to expand if it calls on a specialized finance company for help and describes in detail the many benefits which can result from such an arrangement.

DO YOUR COLLECTION POLICIES PROTECT YOUR FUTURE BUSINESS? By Louis F. Thornarm. *Printers' Ink* (205 East 42 Street, New York 17, N. Y.), January 11, 1952. The author makes a plea for closer cooperation between the credit and advertising and public relations departments within companies, suggesting that credit managers practice greater leniency in order to increase future sales volume. Examples of what some companies are doing are cited; in all these instances, the credit department keeps in mind the possibility of reopening the delinquent account in the future.

MEASURING PROFITS IN A TIME OF INFLATION. *The Guaranty Survey* (140 Broadway, New York 15, N. Y.), December, 1951. This article discusses the problem of the contradictory effects of alternative accounting methods on the income statement and the balance sheet. One of these methods, LIFO, is described in

detail and some objections to its use are presented. It is pointed out that in view of the uncertainties and risks involved, most companies will probably find it desirable to base their choice of accounting methods on broad managerial considerations, rather than on tax considerations alone.

YOU, TOO, CAN BE A MILLIONAIRE—IF—. *Tax Outlook* (30 Rockefeller Plaza, New York 20, N. Y.), January, 1952. This article is based on a Tax Foundation study which explains the meaning of the phrase "taxing away incentive." A table reproduced from the study shows how tax rates made it possible for Mr. A, who started his business in 1920, to add \$890,000 to his original "nest egg" in 11 years, while in an equal length of time Mr. B, because of higher taxes, will have added only about \$45,000 to his original capital investment.

INVENTIONS PAY. *Business Week* (330 West 42 Street, New York 36, N. Y.), January 19, 1952. U. S. tax laws give definite advantages to those who back inventors, particularly if the inventor is a spare-time genius, according to this article. If the invention is successful, profits will be taxed as capital gains—a maximum of 26 per cent; this would amount to a considerable tax saving for those in the upper brackets whose ordinary income would be subject to 75 per cent tax. Practical suggestions on how to utilize the maximum advantages of backing an invention are offered.

PENSION PAYMENTS: DOLLARS OR BUYING POWER?

THE FAILURE TO GIVE pensioners a constant volume of buying power is recognized as a major weakness of existing pension plans. Retirement incomes, providing payments in fixed dollars, cannot assure a level purchasing power. For example, pension incomes that were adequate in 1940 are inadequate today. On the other hand, the fixed dollar retirement payments that were adequate in 1930 became more than adequate during the deflationary years that followed.

From an employee's standpoint, the ideal pension plan would provide income based upon purchasing power rather than dollars. This would, in effect, assure a guaranteed standard of living regardless of the inflationary or deflationary cycles that the country as a whole might be experiencing.

At least two plans now in operation in this country tie in the pension dollar with the cost-of-living index or with some other index that reflects purchasing values.

One of these plans, which has been in effect for about three years, provides "correction factors" determined each December for use in the following year, instead of a direct cost-of-living tie-in with the pension. The "correction factors" are completely under the control of the company and have, generally, varied in the same way as the cost-of-living index factor. By maintaining control of the "correction factors," the company retains a check on costs which it would not have if the plan were tied in directly with the cost-of-living index.

The second plan, which is still being developed, is composed of two parts. The basic portion is a definite benefit annuity

plan providing fixed dollars of pension, which are related, as is customary in the normal retirement plan, to earnings and service. The amount of the base pension might be considered equivalent to a minimum pension plan. A supplemental plan, superimposed on the basic plan, involves an equities fund into which company contributions would be made at periodic intervals. Employees would participate in this equities fund portion of the plan by owning shares of the fund, each share having a fluctuating dollar value depending on the current market value of the fund's securities and the investment income of the fund.

An employee, when retired, would receive, in addition to his basic, fixed dollar pension, a lifetime pension of the benefits accruing from his shares in the supplemental plan. The shares would produce dollars of benefit each month, but the number of dollars would vary as the dollar value of the shares varied, depending upon the continuing investment experience of the equities used for funding the supplemental plan.

The proposed plan, as it is now being considered, is contributory on the basic portion and fully company-paid on the supplemental portion. About one-third of all funds being contributed to the program will be going into the supplemental equities fund.

The principle behind this approach is that equity investments have generally followed a long-range cost-of-living index so that, if they continue to do so in the future, the equities fund would provide a built-in inflationary hedge of total dollar benefits for retiring employees.

It must be emphasized that this equity fund approach is still in the development stage, and some problems still need solving. One of the most important of these

—*The TPF&C Letter* (Towers, Perrin, Foster & Crosby, Inc., Philadelphia, Penna.) December, 1951.

is that of qualifying the costs of such a plan as a deductible item under the Federal income tax provisions respecting pension and profit-sharing plans.

WHAT'S WRONG WITH INSURANCE? — AN INSURANCE BUYER'S VIEWS

TWO HUNDRED YEARS ago the weight of public and professional opinion was so great as to cause the death of the medical researcher by hanging or stoning. Today a type of economic death, stultification, faces those who wish to draw back the curtains of fear and examine the entire structure of insurance—its foundations and the soil from which it springs. This may seem a doleful opinion, but the solution to the problem depends largely upon future efforts to penetrate the present miasma. Here are a few obstacles which the insurance business must overcome:

1. Failure to take the public into its confidence.
2. Failure to ascertain the insurance requirements of the buying public.
3. Failure to eliminate compartmentalization within the business.
4. Failure to recognize the significance of homogeneity of hazard as well as that of property at risk.
5. Failure to make a realistic approach to coverage according to need.
6. Failure to accept the principle that the policyholder is an interested party in all matters related to insurance.

These failures are not entirely the fault of the companies nor the producers, however. The public, for instance, knows so little about the insurance business that it customarily refers to it as if it were comprised of bandits, taking a tribute from

every traveler on life's journey! In fact, a large segment of our population still believes that "The large type giveth and the small type taketh away." The failure to consider this great business a silent partner to every enterprise, a friendly protector against personal loss and business destruction is highly unfortunate. Insurance people could improve the situation if they would try to meet the public and promote understanding of their product.

Also unfortunate is the fact that the insurance requirements of the public are often treated in a paternalistic manner which borders on the cavalier. The public is soothed, patted, and told to go back to bed—Daddy is busy thinking. Yet a large broker said recently that, in his opinion, more constructive thinking has come out of insurance buyers' ranks in the past five years, than from the insurance fraternity in 15.

Supporting his opinion, though in a negative sense, is the plaintive query of a company executive, "Why does everyone want to change the insurance business?" This man believes that current standard policy forms are adequate for the needs of the present and that every attempt toward their revision should be resisted.

An example of this refusal to accept progress may be noted in the approach to "all-risk" coverage. No matter how it is disguised, the property and casualty insurance business rests on a three-legged

stool. The first leg is loss, damage, or destruction of physical property or property rights; the second, a resultant inability to continue earnings; the third, physical and personal injuries involving employees or the public. The sooner this concept is understood, the sooner will "all-risk" coverage be provided for those who wish to buy it. Those who won't pay for it could receive cash credits for excluded exposures. Homogeneity of hazard and of property at risk is the proper starting place for insurance, as the future will know it.

The push and pull, charge and counter charge, avoidance and evasion which accompany any discussion of deductible fire insurance, are also of great interest to the policyholder. If he were to believe each contestant he would have to conclude either that someone is trying to cheat the agent out of his rightful livelihood or that someone is trying to cheat the public out of its right of choice of a way of doing business. Possibly each point of view is correct, possibly neither. Participation in the insurance business does not automatically grant a right to a percentage of the public income. Nor is an "excess-of-loss"

credit equitably arrived at when its actuarial predication is based upon aggregate annual losses. I predict that the present plans for excess-of-loss fire insurance will be abandoned in favor of excess-of-aggregate-annual-loss coverage. The insuring public has a great interest in the latter coverage, relatively little in the former.

The suggestion that coverage should be fitted to needs must be considered from a financial and a technical standpoint. Many policyholders can absorb a million-dollar loss without blinking. However, they are still entitled to deductibles, stop-loss coverage, franchises, or self-insurance. They have the right to pay their money and take their choice. This being so, the insurance business must stop its philosophical meanderings and devise the coverage. As one of my colleagues has said: "It is possible to have an insurance function without an insurance company. It is even possible to have that function without the services of a producer. But how can you have insurance if there is no insured?" This, I maintain, is indisputable evidence that the interest of the insured must be a primary consideration.

—From an address by R. B. GALLAGHER (Philco Corporation) before the Society of Chartered Property and Casualty Underwriters.

Trends in Workmen's Compensation Laws

WORKMEN'S COMPENSATION LAWS were improved in 41 states during 1951. Of these, 28 have increased death benefits—some as high as 33-1/3 per cent. Oklahoma, formerly the only state which had no provision for death benefits, now has set the maximum at \$13,500.

Twenty-eight states increased benefits for temporary total incapacity, the increases ranging from 20 to 50 per cent. More than half of the states provide \$30 or more in maximum weekly benefits for temporary total disability. Benefits for medical aid were increased in seven states and for burial expenses in six states. Coverage was extended in 23 states, and benefits were provided for civil defense workers in 10 states.

Occupational Disease Acts were enacted in three states, bringing up to 25 the number of states that now provide full coverage for such diseases.

In four states, rehabilitation laws were improved or benefits increased for the period of rehabilitation.

—*Council News* (Research Council for Economic Security) 12/51

FEDERAL "INSURANCE": HOW IT GROWS

THE FEDERAL GOVERNMENT, under its various insurance programs, is now virtually running neck-and-neck with the private insurance business in the total amount of life insurance in force. By the end of 1952, the amount "underwritten" by the government may well pass the dollar amounts underwritten by all the private life insurance companies in the country.

Figures compiled from available Federal reports and hearings and from fact books issued by the private life insurance industry show:

FEDERAL LIFE INSURANCE IN FORCE

| Agency | End of 1950 (Billions) | End of 1952 (Billions) |
|--|---------------------------|---------------------------|
| 1. Old Age and Survivors' Insurance .. | \$190 | \$250 |
| 2. Veterans' Administration | 47 | 60 |
| 3. Civil Service Commission | 10 | 10 |
| 4. Railroad Retirement | 5 | 5 |
| Sum of the Four | \$252 | \$325 |

PRIVATE LIFE INSURANCE IN FORCE

| Carrier | End of 1950 (Billions) | End of 1952 (Billions) |
|---------------------------------------|---------------------------|---------------------------|
| 1. Old-line life insurance companies: | | |
| Ordinary | \$149.8 | \$170 |
| Group | 50.9 | 75 |
| Industrial | 33.3 | 40 |
| Sub-total: | 234.0 | 285 |
| 2. Fraternal Organizations | 8.8 | 9 |
| 3. Assessment Organizations | .6 | 1 |
| 4. Savings Bank Life Insurance | .6 | 1 |
| Sum of the Four .. | \$244.0 | \$296 |

This pre-empting of insurance activities by the Federal government may well be a significant guidepost to a wider, more insidious move on a world-wide basis in the opinion of William L. McGrath, an adviser to the Employer Delegate of the

United States delegation to the International Labor Organization, who declared in a recent report:

"The proposal to socialize insurance was buried in what is, in the ILO, termed a 'Convention' entitled 'Objectives and Minimum Standards of Social Security.' This was a draft of an international law, supposedly to be passed by all member countries, under which the government would provide all citizens, resident or not, and employed or not, with social security, embracing medical benefits, sickness allowances, unemployment allowances, old age pensions, invalidity pensions, survivors' pensions, maternity allowance, employment injury allowances, and extra income for each additional child in the family."

Mr. McGrath quotes A. D. Marshall of the General Electric Company, member of the U. S. Delegation, who said: "In this document an attempt is made to establish one main principle, which is that no system of social security nor method of insurance against the hazards of life can meet international standards unless it is compulsory, or subsidized, and its solvency guaranteed by the government."

Government pre-emption of insurance activities, coupled with this idea from Geneva and an all-too ready acceptance of the "security" idea, makes for a situation, the dangers of which are too plain to be lightly brushed aside.

For many years now, new program after new program has been instituted by the government, benefits upped with little relation to payments, and a nation, once proud of its people's ability to rely on their own resources, has become more and more security conscious. It is also important to remember that the "benefits" involved are not guaranteed; they are subject to change—by law.

In the loss of a simple sense of arith-

metic, in the loss of the feeling of personal responsibility, in the loss of balanced analysis, and in the reduction of thrift, we are not "richer than we think" but infinitely poorer. If we can recognize the

dangers to our liberties in this "victory" of Federally-written insurance over privately-written insurance, we can avoid going farther down the road that has led many a nation to ruin.

—*Tax Review* (Tax Foundation, Inc., New York, N. Y.), January, 1952.

Statistics Point Up Need for A & H Coverage

IT IS ESTIMATED that Americans spend between 10 and 11 billion dollars annually for health services. One out of three people is totally disabled every year, and for one out of seven that disability endures five weeks or more. In the span of 12 months, one out of 12 is hospitalized for an average stay of 10 days. Americans lose more than one billion days of work each year on account of sickness.

In the course of an average lifetime, an individual will be disabled 17 times. Only one dwelling in 400 will be damaged by fire. Only one automobile policy in 33 will result in a loss each year, but one disability insurance policyholder in four will file a claim.

—*Best's Insurance News* 2/52

U. S. Life Insurance Protection Inadequate, Survey Shows

TWENTY-FIVE PER CENT of U. S. families have no life insurance, it was indicated in a survey conducted recently by the Survey Research Center of the University of Michigan.

Professional and semi-professional people numbered fewest among those without any insurance—11 per cent. In the managerial and self-employed groups, 13 per cent had no insurance. Sixteen per cent of clerical and sales help were uninsured, and 15 per cent of skilled and semi-skilled labor had no insurance. Forty-three per cent of retired people were uninsured as compared with 36 per cent of those performing unskilled and service-type work. Farmers were at the bottom of the list with 45 per cent of their number without insurance.

The survey shows rather clearly that the nation is under-insured. For instance, in the highest earning bracket, 6 per cent carry no insurance, and another 26 per cent pay less than \$200 per year in premiums. In the \$5,000 to \$7,499 annual earnings classification, 7 per cent have no insurance at all, 28 per cent pay less than \$100 in annual premium, and 56 per cent pay less than \$200.

—*Insurance Advocate* 1/5/52

AMA SPRING INSURANCE CONFERENCE

The Spring Insurance Conference of the American Management Association will be held on Monday and Tuesday, May 19-20, 1952, at the Hotel Statler, New York.

Hijacking—A King-Sized Headache

A PREDICTION in 1940 or even 1945 that the 1951 truck cargo theft loss in the U. S. would be \$65,000,000, with some 12,000 vehicles involved, would probably have been rejected as unbelievable. For even by 1945, this loss was only \$22,000,000.

Yet, if the trend continues in the next five years, the 1956 truck cargo theft loss will be \$175,000,000—the number of vehicles involved nearly 40,000!

One of the clear cut developments of 1951 in the truck-cargo theft picture was the close relationship between economic trends and thefts. Meat losses pyramided when the meat shortage and inflation hit. Television losses soared with a surging demand. Metals, once thought loss-free, became a leading target in 1951, when the defense program, vying with consumer production, brought on an acute shortage of steel, copper, brass, nickel, and other metals. These facts strongly indicate that the hijacking type of thief is not typical of those in other fields. *The hijacker is a keen, highly organized business man, who watches trends, demand, markets—and meets them on a large scale.*

The FBI has this past year called on business men generally to take a keener interest in and assume a greater responsibility for the crime situation. The business man who is owner or custodian of property is the one basically responsible for its safety. It is up to him to see that every possible safeguard protects that property, since no thief can make off with it unless there is a flaw somewhere in the outer defenses.

—LOUIS STIEGLITZ in *Insurance Advocate* 1/5/52

Also Recommended • • •

SURVEY INVESTIGATES ACCOUNTING FOR PENSION COSTS. By Warde B. Ogden. *The Journal of Accountancy* (270 Madison Avenue, New York 16, N. Y.), January, 1952. A survey of 260 pension plans indicates that the most conspicuous fact about accounting for pension plans today is that there is no uniformity either in the method of determining the amount to be charged to each year, or the manner in which pension information is presented in the annual report. In analyzing the survey results, the author concludes that the widespread use of the "cash" method is motivated by expediency and fails to reveal true pension costs. He suggests another method for pension cost accounting which he feels the accounting profession should seriously consider.

SICKNESS ABSENTEEISM UNDER GM CORP. GROUP INSURANCE PLAN. By Frances White-lock. *Monthly Labor Review* (U. S. Government Printing Office, Washington 25, D. C.), January, 1952. An analysis of sickness absenteeism among employees enrolled on a contributory basis for sickness and accident benefits under the company's group insurance program shows that, in 1949-1950, men lost an average of 4.2 days a year because of temporary off-the-job illness, while women lost 17.2 days. For each day by which the average duration of

non-occupational disability in GM could be reduced, the company would save 1/4 million dollars a year in the cost of sickness and accident benefits alone, the report states.

"YOU ARE COVERED," BUT ARE YOU? By Edmund T. Delaney. *The Weekly Underwriter* (116 John Street, New York 38, N. Y.), January 26, 1952. The confusion resulting from Federal decisions in insurance binder cases—cases in which the risk insured against had occurred before a policy or legal binder had been issued—emphasizes the need for the agent to procure a binder which meets all the requirements of the law. The author analyzes these requirements with reference to recent court decisions.

THE CASE FOR UNEMPLOYMENT INSURANCE. By James M. Rosbrow. *The Survey* (112 East 19 Street, New York 3, N. Y.), February, 1952. In the belief that there will be an outcry against unemployment insurance, owing to the rapid rise of employment throughout the country, Mr. Rosbrow has prepared this reply-in-advance to incidents and arguments which he believes will be used to try to weaken "a major safeguard of wage earners and their families." The author is the secretary and administrative officer of the Delaware State Unemployment Compensation Commission.

Survey of Books for Executives

INDUSTRIAL SOCIOLOGY. By Delbert C. Miller and William H. Form. Harper & Brothers, New York, 1951. 896 pages. \$6.00.

*Reviewed by F. L. W. Richardson, Jr.**

This book is a thorough, systematic compendium of existing knowledge on industrial life. Not only is the coverage encyclopedic—ranging from the work-life of individuals to the industrial problems of nations—but the information is presented in an orderly and meaningful manner.

In fact, this 900-page volume may be too thorough, unless the reader regards it as a textbook for a home-study course. As such, it is excellent, and any business man conscientious enough to "register" will perhaps comprehend attitudes and opinions never before consciously understood. Such a gain in understanding should place him in a better position to make decisions, take action, and evaluate the numerous proposals offered by "specialists."

The book includes many clarifying discussions about such practical matters as the limitations of financial incentives, weaknesses in training programs, and subtleties in teamwork necessary to achieve high morale.

There are also numerous topics of a more general nature, such as an examination of the contrast in points of view between practical business men and educators and the confusion of the young when confronted by a business world which challenges school or religious teachings.

Though the volume is primarily a compendium of published knowledge, the authors have added a few new findings of their own. One of the most interesting concerns social factors in personnel placement.

The authors point out that job placement includes social placement. For every job there are definite social requirements involving personal contacts that in reality are part of the job. Good social placement therefore re-

quires the proper matching of three elements: (1) the social skill of the individual; (2) the social requirements of a work position; and (3) the social requirements of the work group. The authors review four methods used to appraise an individual's social skills. The first two, the interview and psychological tests, are older and better-known; the other two are newer methods, developed by social scientists and known as sociodramatic tests and the interaction chronograph test.

The authors indicate that the latter two methods have been designed expressly to test and observe a person while he is actually engaged in contact with others, and provide an objective measure for appraising his social skill and limitations. In contrast, the psychological methods are more concerned with written tests designed to disclose an individual's intelligence and technical aptitude. Since the social requirements of a job are frequently of paramount importance, these newer "social" tests promise greatly improved methods of personnel selection. The interaction chronograph, in fact, has already demonstrated uncanny results in the selection of top-caliber supervisors and particular types of sales personnel.

One reason, however, that predictions by the interaction chronograph have proved so accurate is that the social requirements of work positions have been simultaneously matched with the social skills of the individuals tested. It is precisely in this new area of describing the social requirements of a work position that the authors have made their own special contribution.

Job positions have been classified according to the following four social requirements: (1) range in type of social contacts required, (2) necessary skill for directing others, (3) degree of cooperation needed to work with group members, and (4) the extent of personal responsibility that must be assumed for others. A method for scoring each of these social characteristics was devised, and a graph drawn (p. 437) which demonstrates the

* Department of Public Health Practice, School of Public Health, Harvard University.

enormous range in social skills required for all the jobs in a company, from that of the night fireman to the general manager. The night fireman has practically no contact with anyone on the job except an occasional visit from the watchman. In contrast, the general manager on and off the job is continually visiting and receiving people of all types for many of whom he assumes considerable responsibility.

The authors conclude their section on personnel placement with a discussion of the third element in social placement, the work group. The matching of the social skills of an individual to his work position is of little avail if he remains unacceptable to his work group. However, placing an individual within his own racial, national, or religious group is not always consistent with our laws and democratic beliefs, and here again the problem of reconciling business practice with general teaching arises.

Whatever limitations the book may have, they are decidedly minor in comparison to its over-all contributions. Though it requires concentration and work on the part of the reader, it definitely fulfills a need not met by any other book known to the reviewer. In a few areas only is the discussion confusing as, for example, the overlap in the meanings ascribed to the terms status, power, and class. For the uninitiated, there is an eight-page glossary of technical and semi-technical terms. Though the use of technical language is restrained, such language might, unfortunately, discourage some readers.

As is appropriate for a scientific presentation, the authors have refrained from interjecting their own biases except for their basic premise that industry and society are subject to scientific analysis, and possibly their apparent unconcern with the continuing power struggle between labor and management.

In their concluding pages, the authors present two rather extreme speculations concerning the type of society which may exist by the year 2000. In one, the military, political, and economic institutions have merged into a single monolithic state, while labor organizations have been abolished by edict. In the other, aesthetic, educational and leisure-time enjoyments are predominant, with

labor and business organizations assuming lesser importance. The question might well be posed, "What about the possibility of labor organizations dominating the government and in turn themselves becoming later liquidated?" But the authors disclaim any great concern about their success in forecasting hypothetical societies.

The authors point out the need for increasingly effective collaboration between capable leaders in business, unions, and research in order to achieve the most rapid and complete understanding of the present functioning and trends in the industrial life of our society. Without such collaboration, this book could never have been written. Perhaps with more, we may become sufficiently enlightened and active to further the well-being of each and everyone of us. Lacking enlightened action, we may all be forgotten individually, as collectively we construct mammoth groups in a self-destroying power struggle.

LIVING WITHOUT HATE. By Alfred J. Marrow. Harper & Bros., New York, 1951. 269 pages. \$3.50.

*Reviewed by Ernest de la Ossa**

In the course of this book the author develops an intelligent and reasonable answer to the problem of combating prejudices and group hatreds. Though the lay reader is continually beset by confusion and doubts, as is so often the case when he attempts to understand the social sciences, the main point does get across: "action research" is more likely to lead to a solution of group conflicts than traditional methods of action or research alone.

With one exception, the problems set forth in this book appear at the community level, not at that of the business organization. However, the executive interested in the psychology of employee relations will immediately perceive the possible application of self-survey and group decision methods to the process of employee education. Though it may not be intended as such, this book is another plea for improved orientation and education techniques, joining the ever-growing library of treatises

* Director of Personnel, National Broadcasting Company, Inc., New York.

which demonstrate the relative ineffectiveness of the lecture and certain other traditional methods in changing long-established attitudes and patterns of action. Furthermore, it presents tangible evidence attesting to the effectiveness of methods involving group decisions. The book is written in the simple style generally found in college "survey" texts.

The fact that the author's assumptions are so universally corroborated by the results of the specific research projects which have been chosen for description and presentation may arouse the reader's skepticism. It may be felt that these assumptions are, rather, conclusions which have been developed after the completion of the projects. Nonetheless, there is much food for thought in the assumptions or conclusions, whichever the reader considers them to be.

Overshadowing any defects in presentation is the fact that this book makes a valuable contribution to the science of human relations on at least two levels. It offers excellent background material for forward action in the field of employee relations, and it holds out sound hope for progress in the war against destructive prejudice on the community level. The author stresses the fact that improved human relations in business and in the community will unquestionably promote better understanding among national and international groups. We must heartily applaud Dr. Marrow for his intelligent and energetic efforts in combating prejudice. Perhaps the increased application of "action research" to social problems will cause his most favorable expectations to be realized.

GOVERNMENT IS YOUR BUSINESS.

By James Keller, M.M. Doubleday & Company, Inc., New York, 1951. 362 pages. \$2.00.

*Reviewed by Andrew J. Hayes**

"I wish you to remember, now and forever, that it is your business, and not mine; that if the union of these states and the liberties of this people shall be lost, it is but little to

any one man of 52 years of age, but a great deal to the 30 millions of people who inhabit these United States, and to their posterity in all coming time. It is *your business* to rise up and preserve the Union and liberty for yourselves, and not for me. I appeal to you again to constantly bear in mind that not with politicians, not with Presidents, not with office-seekers, but with you, is the question: Shall the Union and shall the liberties of this country be preserved to the latest generations?"

These words of Abraham Lincoln are as applicable today as they were when first uttered 91 years ago. Unfortunately, many of us have neglected and are continuing to neglect, even in the face of a national election, our personal responsibility to participate in and, through participation, perfect the running of our own government. In his latest volume, James Keller, M.M., author of such inspiring books as *Three Minutes a Day* and *You Can Change the World*, places this responsibility squarely on the shoulders of the 150 million citizens of this country who must either run their government or else let it run them.

The author emphasizes that before the better government which we are all seeking can be attained, a true sense of individual responsibility must be awakened in more and more Americans. Once such a feeling becomes widespread, a trend toward a renewed personal interest in all phases and levels of government will result. He points out: "By a curious paradox, the larger and more complex government becomes, the less responsibility does the average person feel toward it. In turn, that establishes a public apathy toward government that paves the way for mediocre or poor government."

This book has been written for all Americans, especially for those who feel qualified to influence public opinion in a positive manner toward better local, state, and national government. The author has not only drawn upon his own study and experience, he has utilized the experiences of many others, both in and out of government, to set forth the means as well as the attitudes so necessary to establishing and retaining good government. Many inspiring short illustrations and timely quotations are presented to show the reader

* Contract Administrator, Texas Instruments, Inc., Dallas, Texas.

what he, as an individual, can do to strengthen his government.

Mr. Keller asserts at the outset that "the chief obstacle to good government is the widespread belief that it is a job for someone else, not for us" and that "a mistake many of us make is to expect first-class government at second-class rates." These, we will agree, are challenging statements. The author then proceeds to describe how the government could be improved if we, as individuals, saw to it that every branch of our government, from top to bottom, were staffed by the best available personnel. The part that each of us in business, government, the home, the church, and the school can play in improving the quality of government employees is then outlined.

There may be several who, upon reading this review, will agree with the author that "politics will never be any better than the people in it" and with William Penn, when he remarked, "Governments rather depend upon men than men upon governments. Let men be good, and the governments cannot be bad . . ." The author resists the temptation to criticize those in our government today, a vogue particularly popular in some business circles at present, and suggests instead that "the only way to improve its quality is to encourage more persons with high ideals to take an active part in everything that comes under the heading of legitimate politics." Where these "persons" are now and where they must come from in the future if our government is to be improved are discussed in an inspiring chapter, "Politics Affects You Whether You Realize It or Not"—a chapter which should be read by every student of public administration in America.

There are many Americans today who hold the erroneous belief that they personally can do little to achieve better government, better policies, and more effective use of tax money. Yet in many cases, these same individuals are most vigorous in their indictment of inefficiency, government regulation, and bureaucracy. How desirable it would be for America if these persons would invest a small portion of their time in reading a book which points out how the need for higher standards of morality in government may be filled, which

strives to reconcile and minimize prejudices, and which offers hope. Indicative of the author's faith in the individual American citizen is his statement: "The future holds great hope if enough individuals like you, who believe in your own power for good, under God, make it your business to see that government on every level is your servant . . . and not your master."

This is a challenge that must be met by all of us, both as individuals and as members of American management. Today representatives of the management interests in America must direct their intelligence and strength to insuring that individual citizens "run the government" rather than "run from it"—for, after all, *Government Is Your Business*, too.

INCENTIVE MANAGEMENT. By James F. Lincoln. Available from Lincoln Electric Company, Cleveland, Ohio. 262 pages. \$1.00

*Reviewed by Phil Carroll**

Productivity "should be more than four times that of the factories which are operating with the friction and misunderstanding now usual between so-called labor and management," according to the author. And the chart on page 277 of his book shows an annual average increase in productivity of 15.35 per cent for his employees, as compared with 2.74 per cent for the machinery industry generally. In addition, earnings of Lincoln Electric employees are almost double those of employees in comparable companies. These astounding results grow out of what Lincoln calls "incentive management," which he defines as "a means of giving the opportunity and spur to the individual so that he will develop these abilities of his, now latent." "It is obvious that the Creator in giving to man such abilities expected them to be used," the author adds.

Perhaps the underlying philosophy of the author and the broad motivations guiding his practice are best expressed in these selected quotations from the text:

"Only recently have the freedom of opportunity and the incentive been present to make

* Professional Engineer, Maplewood, New Jersey.

man what he now has developed into. Most men were serfs, slaves, or 'lower class' up to a few generations ago."

"Man has always in all history . . . turned to government for security when he got soft. His disappearance as a free citizen occurs shortly thereafter. We must be self-reliant if we are to be free."

"Our forebears wanted to rid themselves of security to gain freedom. That was why the Pilgrim Fathers came to these shores."

"We seemingly do not fear the enormous strides we are taking toward Communism that are implicit in our present program. Our present governmental program will be even more destructive, since Russia, while eliminating liberty, does reward handsomely the progress that the individual makes, while we punish the same individual by progressively steeper taxation and ridicule of his success."

"The union must teach the worker where his actual interests lie. It cannot take the

position that more money for less production is the end sought. What is actually desired is a continually higher standard of living for all."

"The worker can get that desired higher standard of living only by using his skill combined with the direction of the industrialist to make a cheaper product."

"It is obvious that the reason why the United States leads in industry is the ability of its industrial leadership . . . Every handicap that is placed on our industrialists . . . closes the gap. If the handicaps are carried far enough . . . the lead will soon disappear."

This is a book by a man who practices what he preaches with excellent results. This reviewer believes that the emphasis Mr. Lincoln places on developing the individual is the major key to his success. All managers, foremen, union and government leaders should read this book. It is well worth the nominal price asked for it.

Briefer Book Notes

(Please order books directly from publishers)

THE OFFICE LIBRARY OF AN INDUSTRIAL RELATIONS EXECUTIVE—1951. Industrial Relations Section, Princeton University, Princeton, N. J. 1951. Sixth edition. 42 pages. \$1.00. An annotated bibliography of selected industrial relations publications designed to help the executive build his own working library or gain more help from company or general libraries. Materials are listed under the following general headings: The Background of Industrial Relations; Personnel Administration; Trade Unions and Union Management Relations; Labor Legislation and Administration; Social Insurance; Additional Sources of Information. Publishers' addresses and an author index are also provided.

HOW TO SUPERVISE PEOPLE. By Alfred M. Cooper. McGraw-Hill Book Company, Inc., New York, 1952. Third edition. 254 pages. \$3.75. In this latest edition, *How to Supervise People* has been largely rewritten to bring it in line with today's conditions, but the practical viewpoint and simple, direct treatment of the original book have been retained. A discussion of the Taft-Hartley law as it affects the supervisor, an outline of a program for employee participation in management, and more case examples have been added.

PROCEEDINGS OF THE ANNUAL FALL CONFERENCE ON PRINCIPLES, METHODS, AND TECHNIQUES FOR INCREASING PRODUCTIVITY, REDUCING COSTS, AND IMPROVING HUMAN RELATIONS. Society for Advancement of Management, 84 William Street, New York 7, N. Y. 1950. 212 pages. \$5 for non-members, \$3 for members. Twenty-nine papers on various aspects of management's problem in motivating workers and improving efficiency, including executive training and development, wage payment policies, quality control, development of maintenance standards, improving supervisory morale, cost reduction through work simplification, and other, related subjects.

A SWEDISH CASE STUDY ON PERSONNEL RELATIONS. By Sune Carlson and Per Ernmark. Research Report No. 33, The Business Research Institute, Stockholm, Sweden, 1951. 67 pages. Describes in detail the personnel practices of two Swedish factories—a textile mill and a mechanical engineering company which manufactures metal products in its foundry and machine shop. The structure of the labor market in Sweden, including government regulations for handling labor disputes, the organizational setup of trade unions and employers' federations, and nationwide collective agreements, is also covered. This study was prepared at the request of UNESCO as part of an international inquiry into modern personnel methods.

PROCEEDINGS OF THE THIRD ANNUAL MEETING OF THE INDUSTRIAL RELATIONS RESEARCH ASSOCIATION. Industrial Relations Research Association, Park and University, Temp. 3, Room 5, Madison 5, Wisc. 1951. 388 pages. A series of papers and discussions on various industrial relations problems. Seven of the papers focus directly on major industrial relations problems of a defense economy, while several others have a significant tangential relationship to the national emergency. Subjects discussed include: the Taft-Hartley Act, labor mobility, unemployment insurance financing, the impact of technological change, and the Commons-Perlman theory. A major feature is a series of three panel discussions on experiments in inter-disciplinary research.

Publications Received

(Please order directly from publishers)

PROBLEMS OF LABOR. By Glenn W. Miller. The Macmillan Company, New York, 1951. 560 pages. \$5.00.

BUSINESS STATISTICS: Statistical Supplement to the Survey of Current Business—1951. Office of Business Economics, U. S. Department of Commerce, Washington, D. C. Available from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. 309 pages. \$1.50.

HOW TO READ BETTER AND FASTER. By Norman Lewis. Thomas Y. Crowell Company, 432 Fourth Avenue, New York, N. Y. 1951. Revised edition. 416 pages. \$3.50.

MANAGEMENT PROBLEMS AND THE NATIONAL POLICY: An Address Given Before the California Personnel Management Association and the Personnel Section of the Western Management Association. By Melchior Palyi. Research Division, California Personnel Management Association, 2180 Milvia Street, Berkeley 4, California. 1951. 11 pages. \$1.00.

AMERICAN FINANCIAL INSTITUTIONS. Edited by Herbert V. Prochnow. Prentice-Hall, Inc., New York, 1951. 799 pages. \$8.00.

THE AMERICAN ECONOMY: 1860-1940. By A. J. Youngson Brown. Library Publishers, 8 West 40 Street, New York, N. Y. 1951. 208 pages. \$4.75.

ECONOMIC MOBILIZATION AND STABILIZATION: Selected Materials on the Economics of War and Defense. By Lester V. Chandler and Donald H. Wallace. Henry Holt and Company, New York, 1951. 610 pages. \$4.50.

THE ECONOMICS OF MOBILIZATION AND INFLATION. By Seymour E. Harris. W. W. Norton & Company, Inc., New York, 1951. 308 pages. \$4.50.

BUSINESS ECONOMICS: Principles and Cases. By Richard M. Alt and William C. Bradford. Richard D. Irwin, Inc., 1818 Ridge Road, Homewood, Ill. 1951. 581 pages. \$7.35.

ESSAYS IN PROVOCATION: Letters, Essays and Addresses. By Glenn E. Hoover. Philosophical Library, Inc., New York, 1951. 226 pages. \$4.75.

AIR TRANSPORTATION MANAGEMENT: Its Practices and Policies. By Joseph L. Nicholson. John Wiley & Sons, Inc., New York, 1951. 446 pages. \$6.50.

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Marketing—**A. L. NICKERSON**,† *Vice President, Socony-Vacuum Oil Company, New York, N. Y.*
Finance and Accounts—**JOSEPH M. FRIEDLANDER**, *Financial Vice President, Jewel Tea Company, Inc., Barrington, Ill.*
Insurance—**PAUL H. SCHINDLER**, *Manager, Insurance Department, The Youngstown Sheet and Tube Company, Youngstown, Ohio.*
Packaging—**PAUL O. VOUT**, *Coordinator, Package Engineering and Development, General Electric Company, Schenectady, N. Y.*

Past Chairman of the Board

W. L. BATT, *Chief, ECA Mission to United Kingdom, London, England.*

Past Presidents

ALVIN E. DODD (deceased).
F. L. SWEETSER, *Partner, Stevenson, Jordan & Harrison, New York, N. Y.*
C. S. CHING, *Director, Federal Mediation and Conciliation Service, Washington, D. C.*
W. J. GRAHAM, *Vice President, The Equitable Life Assurance Society of the United States, New York, N. Y.*

DIRECTORS

Term Ending 1952

CHARLES S. CRAIGMILE, *President, Belden Manufacturing Company, Chicago, Ill.*
CECIL DAWSON, *President, Dixie Cup Company, Easton, Penna.*
GEORGE S. DIVELY, *President and General Manager, Harris-Seybold Company, Cleveland, Ohio.*
RAYMOND H. FOGLE (retired).
ROGER L. PUTNAM, *Administrator, Economic Stabilization Agency, Washington, D. C.*
MURRAY SHIELDS,† *Vice President and Economist, Bank of the Manhattan Company, New York, N. Y.*
FRANK STANTON, *President, Columbia Broadcasting System, Inc., New York, N. Y.*
JOHN A. STEPHENS, *Vice President, United States Steel Company, Pittsburgh, Penna.*
WILLIAM S. STREET, *President, Frederick & Nelson, Seattle, Wash.*
JAMES D. WISE, *President, Bigelow-Sanford Carpet Company, Inc., New York, N. Y.*

Term Ending 1953

ROY A. BRADY, *Vice President—Sales, The Maytag Company, Newton, Iowa.*
LYMAN B. BRAINERD, *President, The Hartford Steam Boiler Inspection and Insurance Company, Hartford, Conn.*
HAROLD V. COES,* *Retired Vice President, Ford, Bacon & Davis, Inc., New York, N. Y.*
KRITH S. MCHUGH,* *President, New York Telephone Company, New York, N. Y.*
JAMES J. NANCE, *President, Hotpoint, Inc., Chicago, Ill.*
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JAMES L. PALMER, *President, Marshall Field & Company, Chicago, Ill.*
EAL M. RICHARDS, *Vice President in Charge of Planning & Development, Republic Steel Corporation, Cleveland, Ohio.*
ERWIN H. SCHILL,* *Department of Business and Engineering Administration, Massachusetts Institute of Technology, Cambridge, Mass.*

Term Ending 1954

L. M. CASSIDY, *Chairman of the Board, Johns-Manville Corporation, New York, N. Y.*
JOHN C. FLAHERTY, *Vice President and General Manager, United Gas Corporation, Texas Distribution Division, Houston, Texas.*
CURTIS H. GAGER, *Vice President, General Foods Corporation, New York, N. Y.*
RUSSELL B. GALLAGHER, *Manager, Insurance Department, Philco Corporation, Philadelphia, Penna.*
FREDERICK B. HEITKAMP, *Vice President, Daystrom, Inc., Elizabeth, N. J.*
JOHN H. MACDONALD, *Rogers, Slade & Hill, New York, N. Y.*
GROSVENOR S. MCKEE, *Vice President—Works Manager, Talon, Inc., Meadville, Penna.*
WILLIAM C. MULLENBORN, *President, Southern California Edison Company, Los Angeles, Calif.*
KRITH POWLISON, *Vice President and Controller, Armstrong Cork Company, Lancaster, Penna.*
A. A. STAMBAUGH,* *Chairman of the Board, The Standard Oil Company (Ohio), Cleveland, Ohio.*

* Member of Executive Committee.

† Member of Finance Committee.